

## Bankers' Shop Talk

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Volume LXXXVII

Number Four

# REVIEW OF REVIEWS

AND

## WORLD'S WORK

Edited by **ALBERT SHAW**

### The Progress of the World

Our Government Can Be Made to Function, 9 . . . A Revived Democratic Party, 9 . . . The Country Watches and Applauds, 10 . . . Dictatorship as an Alternative, 11 . . . Inauguration Amidst a Bank Panic, 12 . . . The New Congress Assembles, 13 . . . The Country Overwhelms a Lobby, 14 . . . The President Forces Through His Program, 15 . . . Legal Beer, Wine, and Taxes, 15 . . . Repeal Awaits State Conventions, 16 . . . Foreign Relations Overshadowed, 16.

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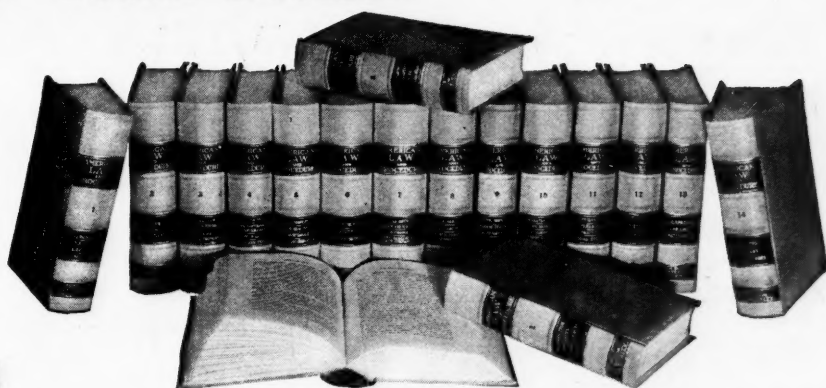
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## Recommended Reading

### A Veteran Racket

Tattered Banners, by Talcott Powell. Harcourt, Brace. 299 pp. \$2.50.

THERE WAS veteran legislation in ancient Greece as early as 600 B. C. The rival republics of Rome and Carthage had their troubles with pay-seeking war heroes. America faced a discontented soldiery after both the Revolution and the Civil War—and again, of course, when the Bonus Expeditionary Force marched on Washington in the summer of 1932. In Germany the veterans' *Stahlhelm*—composed largely of once-privileged ex-officers—is virulently anti-republican; and its leader, Franz Seldte, is in the Hitler cabinet. In Italy the Fascist movement originated amongst the hordes of returned war veterans, discontented with the peace and with the status quo. Fascist black shirts, in fact, originated with the wartime uniform of Italian shock troops—the *Arditi*. Political organization of these ex-soldiers led to the rise of the Mussolini régime and its Corporative State.

Mr. Powell, a skillful Scripps-Howard newspaper man, tells the story of the veteran racket down through history—with humor, detail and interest. As to the American Legion, he leads one to believe that that organization's militant 100 per cent. fascism is more dangerous than its treasury-raiding—although its lobbying has come to constitute a racket of the first class. It is interesting to note that veterans' relief, per veteran, averaged \$24 in England, France, Germany, and Italy, during 1932. In the United States it reached a total, per veteran, of \$180. Thereby, 1 per cent. of the people receive nearly 25 per cent. of the Treasury's income.

Mr. Powell supplies an interesting account of the ill-fated Bonus Army, whose proceedings lately caused so much press comment. He describes in detail the circumstances of B.E.F. encampment in the District of Columbia; and the final eviction of the veterans by units of the regular army—an action, incidentally, "put across" with a maximum of humanity in the traditionally decent American way. The writer's objectivity is of a high order; and the reviewer must, in conclusion, express a belief that he does justice both to the veterans themselves and to the harassed Hoover administration. Such books as Mr. Powell's are more than mere good reading. They stand as historical documents, to prove of interest to fact-seeking students of the future.

### World Affairs

The United States in World Affairs in 1932, by Walter Lippmann, assisted by William O. Scroggs and Charles Merz. Harpers. 355 pp. \$3.

FORCES with important bearings on the future were at work in 1932, and the United States took its part in attempting to shape them for future international good. If only at Lausanne the attempt met with what promised to be success, it was because the world was struggling against a bewildering depression and because governments were not sure of their own abilities to make lasting decisions. It was a year of postponement. Such are the conclusions of the authors of this book dealing with United States participation in recent world affairs.

Towards settlement of the Manchurian question—peculiarly a League of Nations' problem—the United States contributed the doctrine of non-recognition of the new state; and an American was a member of the Lytton Commission. No final solution was reached.

War debt payments became an urgent problem. At the expiration of the American-proposed moratorium, the only suggestion we could offer was that the new administration at Washington would be willing to have the question reopened.

In Geneva the representatives of sixty-four nations, the United States among them, grappled unsuccessfully with the question of reducing the world's armaments. Even as they met, guns were being fired in South America. There, too, solutions were postponed.

This book, in spite of its story of hesitation and delay, still carries the germ of hope. Nations are at least facing facts and honestly seeking solutions. Walter Lippmann and William O. Scroggs—this time with the able assistance of Charles Merz—have again focussed world problems under the lens of keenly analytical minds. The result is a book indispensable to a clear understanding of the recent past and immediate future.

### Corporations and People

The Modern Corporation and Private Property, by Adolf A. Berle, Jr., and Gardiner C. Means. Macmillan, 396 pp. \$3.75.

SOME TWO HUNDRED non-banking corporations, these authors say, dominate American industry. Their combined assets amount to nearly half of all corporate wealth in the United States.

They will undoubtedly grow wealthier and more powerful in the future. Then, even more than now, each of us will depend on them for food, clothing, and shelter; for guarding health; for transportation, communication, light, and power; for amusements and recreation; for dividends.

Granted that we are and will be dependent on corporations, what is their relationship to us as individuals? That question this book asks. By way of answering, it details the vast changes that have occurred in the traditional theory of economics as enunciated by Adam Smith.

Private property no longer involves simple possession. There is now passive property, financial interest in an enterprise, and active property, control of an enterprise. Wealth is no longer measured in tangibles but in expectations of profit and in control of business. Private enterprise has been supplanted by corporate enterprise. Individual initiative has been limited. Profits do not necessarily accrue to workers, but to management and security owners. Competition has changed, too often, from a regulator of industry to a cause of waste. Without our realizing it, say the authors, these changes have occurred.

The inevitable conclusion is that these changing concepts are part of a revolution in which political power and economic power will eventually struggle for domination. The authors believe that economic power, as typified by great corporations, will win. Then we will be more than ever dependent on them and they will have to be administered, not for security owners and management alone, as now, but for a third class as well: the consumers.

Several factors make this a noteworthy book. A lawyer and an economist have collaborated in writing it. It is the first time that such a study of the relationship between the corporate system and the economic welfare of the nation has been made. Lastly because, although the scholarly product of highly trained minds, it carries a message intelligible to the layman. To all it should be an important book.

### Briefer Comment

• • ROYDEN J. DANGERFIELD, professor at the University of Oklahoma, offers us here an able defense of the United States Senate. It has become a popular sport to berate this august body—especially in conservative business circles—but "In Defense of the Senate" is a scholarly



and interesting work by one who knows.  
(University of Oklahoma Press, \$4.)

• • "POLITICAL HANDBOOK of the World," for 1933, has made its annual appearance. Published for the Council on Foreign Relations (Harpers, \$2.50), it contains complete lists of political parties, their platforms, and the journals of their readers. This universal work is almost unique, and quite indispensable to the student of world affairs. It is ably edited by Walter H. Mallory.

• • BALANCED EMPLOYMENT is the need of the hour; and "Balanced Employment" is Lee Sherman Chadwick's contribution thereto. He stresses the need for shorter hours of labor, and believes in the necessity of a national plan whereby such adjustments may be applied systematically. Wide experience, and a wide distribution of topics, tend to make author and book of timely importance. (Macmillan, \$2.)

• • "TREND OF BUSINESS: Yesterday, Today, Tomorrow" is by Arthur E. Adams, who has contributed previously to economic literature. This dean of economics from the University of Oklahoma does well. Here are presented the "causes of the depression and economic reforms necessary to establish a business equilibrium." (Harpers, \$1.)

• • VOLUME NINE of the "Encyclopaedia of the Social Sciences" is out. Edited by Dr. E. R. A. Seligman and Dr. Alvin Johnson, this compendium is of almost priceless value to the research worker. Volume Nine ranges from "Laboulaye" (the French jurist), through "Machine, Political"—with every conceivable social topic between. (Macmillan, \$7.50.) This set has been appearing gradually, book by book, since 1930.

• • ANYONE with business or travel interests in the region should find "The South and East African Year Book and Guide—1933" a fine source of information. An unusually inclusive index and a sixty-four page section of colored maps enhance its value. (Low, Marston—London; Thos. Cook & Son—New York, \$1.)

• • VOLUME Two of James Truslow Adams' "March of Democracy" is with us, to the great satisfaction of this reviewer. Here is a "different" history of the United States, with emphasis upon liberal movements and popular rights. Volume Two runs from the Civil War down through the election of President Franklin D. Roosevelt. Volume One came out in the fall of 1932. From the colonial period down to the Civil War, it is fraught with an equal interest—unique, sometimes enthusiastic, and altogether lacking in the "100 per cent." quality. (Scribners, \$3.50.)

• • OSWALD VILLARD, a real German authority, has done fine work in his "German Phoenix." Every phase of life in the Reich—business, politics, art, morals, agriculture, the press—are fully treated; and the writer is scrupulously fair in his judgments. He makes one feel that the Republic is fundamental,

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## The World of Books

(Continued from page 5)

and that temporary setbacks will not deter its ultimate and permanent triumph over fanatical strangle-movements from Right or Left. Germany, through her revolution, has achieved many of the penal and social reforms of Russia—without the obvious disadvantages of a Soviet régime. The phoenix perished—to rise again. So did Germany—a nation that may be down, but is never out! (Smith and Haas, \$2.50.)

• • MARION BAUER and Ethel Peyser have written "Music through the Ages" (Putnam, \$3.50). It is a complete history, and includes the explanation of forms and movements, as well as pertinent accounts of the great musical personalities. The book is detailed, and apparently omits nothing which the fans of ear-artistry could demand. The reviewer himself found it readable and extremely instructive. The authors are highly competent.

• • LION FEUCHTWANGER is Germany's outstanding historical novelist. His "Power" and "Success" were widely read in America. They were, respectively, medieval and post-war in setting. Now he takes up the Greater Rome and its Jewish problem. "Josephus" (Viking, \$2.50) tells the tale. Here is a magnificent picture of the ancient world, painted by a master of realism whose mind is cosmopolitan. Feuchtwanger is a neighbor and close friend of Arnold Zweig, whose memorable "Young Woman of 1914" has been noticed here.

• • IN THE 1400 pages of the "Directory of Directors in the City of New York—1933" are listed those men who hold key positions in business centering in the metropolitan area. Entries are made in two ways. Under the name of an individual are found the interests he serves, and under the important organizations are listed those who control their policies. In publishing the twenty-fourth edition, the Directory of Directors Company offers a distinct service to those who must have accurate knowledge of businesses and business leaders. (\$25.)

• • PUBLICATION of Volume X of the Dictionary of American Biography brings this laudable undertaking to its half-way point. The present volume starts with William Jasper, soldier of the Revolution, and ends with Thomas Larkin, United States Consul to California at the end of the Mexican régime which closed with California's entrance into the United States. Between those two are sketches of the piratical Captain Kidd; Wisconsin's great Liberal, Robert M. LaFollette; Thomas Jefferson—who needs no descriptive adjective; and hundreds of others who have played their part in shaping the nation's destiny. Noteworthy is the fact that each character is biographed by the expert best qualified to do the task; and that more than three hundred have contributed to this volume alone. (Scribners, \$12.50.)

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## Our Authors

• • JOSEPH STAGG LAWRENCE is well known in the field of economics, where his influence through the related activities of journalism and teaching has been respected. Journalism has known him as a contributing editor of the old *World's Work*, as financial writer for the *New York Herald-Tribune*, and more recently as editor of *Bradstreet's Weekly* until it was merged last month with *Dun's Review*. He is the author of several financial books, the latest bearing the hopeful title of "The Road to Riches". As a teacher, he has served on the faculties of Princeton and New York Universities. A varied life, starting in Budapest, has included formal study in France, Princeton student days interrupted by service in the World War—during which he rose from private to first lieutenant—and active participation in important economic councils.

• • ROGER BABSON, to our regular readers and the country at large, will not need to be introduced. He has the right to sport a cocky feather in his cap by virtue of being one of the few who foretold—and well in advance—events of the historic October, 1929. But from Florida, where his winter work is done, he sends a humble solution for depression: "Deliver the goods!"

• • CHARLES E. STUART concludes in this issue the story of Coal vs. Anti-Trust Laws which he started last December. He knows well the large-scale planning methods which have been the basis of this contest. From 1926 through 1930 the engineering firm of which he is president was in charge of directing the five-year plan for Russia's coal industry.

• • GEORGE FORT MILTON writes about Cordell Hull with that knowledge that only the editor—a southerner himself—of a southern paper can have of his state's favored son. Born in Chattanooga, Mr. Milton attended a southern preparatory school before going to the University of Tennessee and later the University of Virginia. At twenty-three he was managing editor of the *Chattanooga News*; five years later he was editor.

• • LOTHROP STODDARD was admitted to the Massachusetts bar at twenty-five. Within six years he had won two additional degrees: his Doctor's from Harvard, and Bachelor of Jurisprudence from Boston University. At regular intervals he produced a book until with "Lonely America" appearing late last year, he had the impressive total of fifteen to his credit. Their subjects have covered national and international politics, race problems, philosophy, and sociology.

• • RICHARDSON WOOD got his knowledge of basic English at its source. For four years—1922-'25—he studied for his B.A. and M.A. at King's College, Cambridge. While there he met C. K. Ogden, the originator of "basic", and his interest in the subject dates from that time.



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# REVIEW OF REVIEWS

AND

## WORLD'S WORK

Vol. LXXXVII, No. 4

APRIL, 1933

### ◦ THE PROGRESS OF THE WORLD ◦

By ALBERT SHAW

#### **Our Government Can Be Made to Function**

A SWEEPING CHANGE of party control at Washington can never be regarded as of casual importance. The most significant thing about the recent change is the fact that it was thorough-going. In an article on the new Roosevelt Administration, elsewhere in this number, we dwell at some length upon the advantages of party control and accord, under presidential leadership.

The Seventy-second Congress had its full share of excellent individual members, but there was no firm party control of either House. With so slight a Democratic majority and so many divergences of opinion about pending measures, the Speaker and the other House leaders and Committee chairmen had no compelling influence. There was a paper-money group, a free-silver group, veterans'-bonus, farm-bounty and "soak-the-rich" groups, and other cliques and blocs—with the House running riot under the open stimulation of powerful lobbies.

The Senate was in some respects worse. Its tendencies are naturally centrifugal. During the Hoover years there was a consistent and normal body of Republican Senators; a similar body of regular Democrats; and an Adullam cave of anti-Hoover westerners Nestored more often than otherwise by Mr. Norris of Nebraska. Irrespective of these contingents there were individual Senators who were always flying off on what mathematicians call tangential lines. Mr. Borah was the most impressive of the individualists, Huey Long the most outrageous of the self-exhibitionists, and Mr. Couzens perhaps the coolest and most designing.

We do not have a presidential form of government, nor yet a parliamentary form. We have what no other country possesses as an actual and permanent constitutional fact—a government of "checks and balances". It is capable of producing deadlocks. It makes costly delays by the roadside, when the machine does not work at all because of some clique or bloc of filibustering anti-patriots has put the mechanism out of order.

What is the remedy? This question is entitled to consideration. We can give the President something like war powers even in time of peace. Or we can

move in the direction of Congressional control, and make our government more like those of Great Britain and France. But are we not finding the best answer in a close examination of the change—almost miraculous—that seemed suddenly last month to have given us a wholly new governmental machine, working with high efficiency?

As we study the recent history of European governments in comparison with our own experiences, we are less inclined to think badly of our American system. We can slacken speed when we are in doubt. We can even tolerate the vagaries of individual Senators, because we know that they can be suppressed when the need of unity is apparent. Decisive action on the part of the public at large can overrule dissentients, break deadlocks, bring all the parts of governmental machinery into effective relations with one another.

When the country makes up its mind that there must be swift and bold action, it can transmit to the government at Washington its own determination. This can be done under our present system in times of peace by the simple processes first of establishing harmony within the two parties themselves, and second of placing responsibility upon the shoulders of the one party or the other that is best fitted to accomplish the desired results under immediate conditions.

#### **A Revived Democratic Party**

THE DEMOCRATIC PARTY had recovered itself, and was more harmonious than at any time since the days of James K. Polk. It is true that the party had come into power with strong majorities twenty years ago. But Woodrow Wilson's nomination had been accomplished as a result of a protracted fight, with Mr. Bryan leading the liberal and radical elements against the bitter opposition of the Eastern conservatives. The Wilsonian sweep at the polls was due to the Republican split. With Taft and Roosevelt tickets competing in the field, Democratic pluralities were a foregone conclusion.

At the next trial, Mr. Wilson won by a mere "fluke" in 1916. But our decision to enter the Great War obliterated party lines, and Mr. Wilson's leadership was

unobstructed until he came back from Paris and Versailles with the Treaty in his hand that the Senate refused to ratify.

Both parties adopted compromise tickets in 1920, Harding winning handsomely over Cox; and the political weather continued to be Republican when Coolidge ran against John W. Davis in 1924. In that year the cleavages were most distinct in the Democratic structure; and the contest between the rival forces led by Smith and McAdoo, in deadlocked convention, foreshadowed disaster at the polls.

But the Western and Southern elements that had rallied about McAdoo in 1924 were without leadership or organization when the Democrats met in convention at Houston, Texas, in 1928. This was not the case with the elements that had supported Alfred E. Smith. Under the remarkable chairmanship of an able business man, Mr. Raskob, supported by an aggressive and skillful political group among whom Governor Franklin D. Roosevelt was one of the most ardent and persuasive, the Smith contingents walked into the Houston convention with victory written on their banners.

To win a convention by strategy is not, however, to win the election. Without Southern support at the polls, the Democratic party could never hope to gain the presidency. The South was out-manoeuvred in the Houston convention, but it refused to vote for Alfred E. Smith in November. The South did not like Tammany predominance, and it was standing, still unshaken, for the cause of prohibition. We do not believe that the religious issue would have emerged at all if Smith had lived in Massachusetts or Ohio, and if he had been a Dry.

Senator Walsh of Montana was also a Catholic, but he was a conspicuous supporter of prohibition. He had presided impartially over the Madison Square Garden convention in 1924. Previous to that convention he had been chief investigator in the exposure of Mr. Fall and the naval-reserve oil scandals. If he had been nominated in 1924 the South would have supported him cordially, with Methodists and Baptists joining to rebuke any stray fanatic who raised the religious issue.

With the cordial support of the Coolidge administration, its most available member, Herbert Hoover, was accorded the Republican nomination in 1928. Mr. Hoover's name had been a household word during and after the war period. He was not nominated by political strategy, but by unmistakable evidences of popular choice. He called prohibition a noble experiment, and stood for the enforcement of the Volstead law. He promised an extra session to deal with the demand for agricultural relief, and gained the positive support of voting masses in the South, as well as the negative support of other masses that stayed away from the polls in protest against the Houston ticket and platform.

Parties have to learn their lessons by experience. The Democracy was too tenacious to disintegrate as a national body. It began to think more about issues and less about candidates. It discovered that the country as a whole, especially within Republican states, was getting ready to repeal the Eighteenth Amendment. Al Smith was not destined to be the personal beneficiary, but his long fight within the Democratic party for "repeal" was bearing fruit. Both parties were shifting ground on that issue, but the Democratic shift was the quicker and bolder.

In the Congressional election of 1930 the Democrats

won a clear majority of seats in the House of Representatives. Also their group of straight Democrats in the Senate was decidedly larger than the group of straight Republicans. Mr. Hoover in control of the Executive branch was thrown on the defensive. His extra session in 1929 had been unfortunate. He had stood resolutely against nostrums that visionaries were inventing, and that Congress was disposed to accept, for lifting agriculture out of the depression caused by heavy surplusages and broken prices. The Farm bill emerged in due time, with provision of large grants for the support of coöperative marketing, and with a Farm Board to deal with that subject and to handle funds at its discretion for stabilizing wheat and cotton prices by purchase and segregation.

Starting with tariff changes in the agricultural schedules, the whole field of tariff revision was thrown wide open. Every interest and industry in the land clamored for tariff benefits. Agitation and suspense over tariff changes continued through long months. Mr. Hoover was not responsible for a situation that was completely out of hand. It was the worst possible time to make tariff changes by slow process. All other countries were making them by executive order, overnight.

Mr. Hoover secured enlarged powers for the President, in connection with a non-partisan Tariff Commission, hoping thus to avoid the scandals and delays of general revision from that time forth. But the whole world fussed and fumed about the American tariff, regardless of facts and details. And the Democrats, having a traditional preference for comparatively low tariffs framed on revenue principles, were able to cash in upon the unpopularity that had gathered about the Hawley-Smoot bill before it reached final passage.

### The Country Watches and Applauds

IN THE THICK of sensational events of the past few weeks, some readers will be impatient of a summary, however brief, of the broad circumstances which have brought the Democratic party to the present relative position of harmony that exists within its once discordant ranks. Again after long years it was in unquestioned control of foreign and domestic policies. It could act boldly, as with the merry ring of sharp axes, to rebuild the executive organization of the government itself.

But the resistless emotional surge, sweeping like a tidal wave across the country in the opening days of March—submerging landmarks of parties and sections, and covering the trench lines of insolent lobbies—could but recede, rather soon. With emotion spent, would courage and strong purpose hold the Democrats in line? For a few days the national will to accept the leadership of President Roosevelt seemed unanimous. The country could be saved from further calamities only by coöperation and harmony. Decisions had to be made and acted upon. Franklin Roosevelt had declared himself willing to formulate measures without a moment's needless delay. If the country would back him, and if Congress would exercise its coördinate authority in swift, voluntary deference to his leadership, much could be done.

The country was in an exalted mood. It rose to greet the new President as if to support him in the repulsion of invading armies. More than a third of the 435 members of the House, as the Seventy-third Congress flocked to the inauguration, were new Democratic representa-





PRESIDENT ROOSEVELT signs the first bill passed by Congress—the Emergency Banking Act—on the evening of March 9. During that same day the new Congress had assembled in special session, organized for business, passed the bill through both branches, and sent it to the White House for signature.

tives. The new House contains 313 Democrats, 117 Republicans, and 5 Farmer Laborites. The retiring Congress, which remained in session until midday of March 4, was composed at that time of 210 Republicans, 220 Democrats, and 1 Farmer Laborite, four seats being vacant.

Except for the emergency that confronted Lincoln as he took the oath of office in 1861, and that which Wilson faced when he began his second term as the country was drifting toward the maelstrom of the World War, no President in our history has entered the White House at a time so gravely critical as the present. Both men deeply realized this emergency when Franklin Roosevelt and Herbert Hoover rode together to the Capitol on March 4, through the throngs that lined Pennsylvania Avenue.

The long period of business paralysis, with millions out of work, had remained unbroken through the winter. In January and early February there were slight indications that the bottom had been reached. Men said that slow recovery might be hoped for, if nothing should happen to cause sudden alarm and create a panic. But toward the end of February it was found that certain disquieting symptoms were developing with rapidity.

Within a few years there had been thousands of bank failures among our former maximum of some thirty thousand independent banks. The bankers themselves had set about the process of liquidating assets, protecting resources, and safeguarding the money of depositors. But the most pressing reason for the establishment of the Reconstruction Finance Corporation in January, 1932, was the continued distrust of the banks by millions of citizens. The weakness of the situation was due to the continued danger of stampede on the part of depositors. In the course of its operations within a period of twelve months, the R. F. C. loaned sums

aggregating almost a billion dollars to more than five thousand banks and trust companies.

Under our system, the best local banks are good banks only when the local people who have patronized them continue to believe them to be good. If the depositors all attempt to draw out their money at once, the bank cannot liquify its investments and call in its outstanding loans rapidly enough to meet the so-called "run". The chastening experience of several years had resulted in bank reforms of one kind or another under state laws and supervision; had increased the authority and resources of the Federal Reserve system; and had caused leaders of the American Bankers Association to express the belief that our banking laws and practices were now on a sound basis, and that banks could be trusted—like other private forms of business enterprise—to manage their own affairs without detriment to the public interest.

But local bank panics on many past occasions in our financial history have been started unexpectedly—often absurdly, and through sheer ignorance. At certain moments, serious bank panics have been due to graver causes, such as the outbreak of war or the sudden collapse of speculative markets. Our recent bank panic, spreading like wildfire across the face of the entire country, and involving about twenty thousand independent banks, will constitute one of the outstanding episodes in the financial history of America.

### Dictatorship as an Alternative

THE CRISIS WAS at its height when Mr. Hoover gave place to Mr. Roosevelt. Each of them was confident that a President intrusted with unusual power to act promptly and boldly could put a quick end to the panic, reform the banking system, and start the coun-

try definitely upon its way to a resumption of confidence. With a gradual decrease of unemployment, and a steady improvement in the farm situation and the general price level, the depression would lie behind us. But public opinion would have to give full support to the leader for a few weeks, and Congress would have to follow his leadership implicitly, shaking itself loose from the clutches of organized lobbies.

When the news of the balloting last November reached Franklin Roosevelt, he learned that his Electors had carried forty-two states out of the forty-eight. No element or faction of the Democratic party had sulked or sold out or traded. Roosevelt had swept his own state of New York by a plurality of 600,000 votes, Illinois by 450,000, and Ohio by a fair margin. Of the large states, he had lost Pennsylvania alone. Hoover's own state of California had given Roosevelt a plurality of almost half a million, and Texas had offered him a popular support of 8 to 1.

Mr. Roosevelt was justified in taking all this as a mandate to lead the country out of its difficulties. Each Democratic candidate for Congress had promised the voters to work with Franklin Roosevelt, if elected to the presidency, although it might not be fair to imply that all of them had promised to sign blank proxies on every issue. But, with the new House Democratic by almost 3 to 1, and with the reorganized Senate containing 60 straight Democrats as against a total of 36 Republicans and Insurgents, Mr. Roosevelt had reason to believe that a program of necessary measures could be adopted without harmful delay, and without haggling and compromising with cliques or with lobby-controlled groups in Congress.

As for the country, it began to see clearly that President Roosevelt must be accepted and supported regardless of party, if we were to escape from national ruin. The alternative might be a dictatorship under cover of a revolutionary uprising such as that which swept Mussolini into power in Italy. Congress had drifted away from Republican control during the twelve years since 1921. The time for full coöperation had arrived. Circumstances had made further deadlocks unendurable. There were two possible instruments. Either one of them could have done the work if in sound working order, and if fully trusted and backed. Mr. Roosevelt's machine was plainly indicated under the circumstances. Having been chosen, its services were to be on the national and international scale. Those services were engaged for a term of years. During that period they were entitled to such support as all intelligent citizens could give.

No citizen could be expected to follow blindly, to abdicate his conscience, or to cease thinking for himself. But it was incumbent upon citizens to lay aside prejudice, and to frown upon all attempts to seek private benefit at public expense. This must mean that patriotic Republicans, with President Hoover in the lead, should oppose no measure advised by Mr. Roosevelt for improving the bank situation; for reducing the cost of government and balancing the budget; for rearranging the federal departments and bureaus; or for strengthening our national interests throughout the world.

In these pages this month we can deal only with principles and conditions on general lines. In times like these, events move rapidly. History is made hour by hour, as at other times it might be made by months or seasons. When Mr. Roosevelt faced Congress and the

country on inauguration day, banks had been closed almost everywhere by state authority. Ordinary business was at a standstill. Nothing precisely like this condition had been known before.

In our department called "The March of Events" the reader will find facts stated with more precision of sequence. A Senate investigating committee had brought to light some transactions of the past that took a sensational news form. The great New York banks were on a sound basis, but some of them had been too much involved in the speculative orgy that preceded the market collapse of 1929. The banks of Detroit and of Michigan were in trouble, chiefly because the bottom had fallen out of real-estate prices. Distrust of banks became a kind of unreasoning mania. When people begin to withdraw money a bank is in danger; but when it is in danger it is unsafe; and then many other people, besides those who had started the run, have to protect themselves. Most of the states had ordered the closing of banks for longer or shorter periods.

### Inauguration Amidst a Bank Panic

VIEWED FROM THE standpoint of our financial history, nothing could have been more desirable than the occurrence of this bank panic at the outset of a new national administration. More than once we have stated in these pages that the United States has the worst banking system in the world. Bankers in the past have not been willing to agree with that statement; but their profession has long been entrenched in its own body of practices and customs. For the most part their probity is above question, and their training and experience are invaluable. We have needed to unify and strengthen the system as a whole, leaving all of our good banks and our good bankers to serve the business community more efficiently than ever before.

In his message to Congress last December, Mr. Hoover dwelt impressively and at length upon the need of reforming our banking system. Banks should be the very last business institutions to fail; but with us their mortality has been eight or ten times as great as that of ordinary mercantile establishments. Mr. Hoover made the following comparison: "That the failure to function is unnecessary, and is the fault of our particular system, is plainly indicated by the fact that in Great Britain, where the economic mechanism has suffered far greater shocks than our own, there has not been a single bank failure during the depression. Again in Canada, where the situation has been in large degree identical with our own, there have not been substantial bank failures."

But for more than a hundred years in this country there has been jealousy between state banking systems and the national or federal banks. There has been strain between the money centers of the East and the mortgaged farms and businesses of the West and South. Congress had never been able to agree on a plan in detail for making banks safe. When England went off the gold standard last year nothing happened to any British bank. In this country, even a plausible rumor of such a thing would have shaken our banks to their very foundation.

President Roosevelt's inaugural address was admirably fitted to the times. It was courageous and hopeful without being shallow in its optimism. It called for immediate action as regards some things, and for deliberate and far-reaching policies to follow the emergency



THE NEW SPEAKER of the House (center) and two of his colleagues—all Democrats. At the left is Joseph W. Byrns of Tennessee, the new majority floor leader in the House. The picturesque Henry T. Rainey of Illinois, with grey hair and flowing tie, will preside over the House during the next two years. At the right is a Congressman from New York City, William I. Strovich.

program. No one has ever better expressed the wide room that our Constitution gives for freedom and boldness of action under changing conditions. Said Mr. Roosevelt: "Our Constitution is so simple and practical that it is possible always to meet extraordinary needs by changes in emphasis and arrangement without loss of essential form."

He hoped that the normal balance of executive and legislative authority would be "wholly adequate to meet the unprecedented task before us". But he was prepared to ask Congress to give him "broad executive power to wage war against the emergency, as great as the power that would be given if we were, in fact, invaded by a foreign foe".

The hours following inauguration were filled with intense activities at the White House and in official circles at Washington. Sunday night (the day after inauguration) President Roosevelt took steps under a law that had remained unrepealed (from its passage after we had gone to war in 1917) to take full control of the banking and currency situation. A four-day bank holiday was ordered. Gold and silver were to be held under strict government embargo. The Secretary of the Treasury was to authorize certain limited banking facilities. Secretary Woodin declared that we were not abandoning the gold standard, although stopping gold losses.

The President allowed it to be known that temporary measures were leading up to a permanent reorganization of the banking system. Under pressure, and under fear of exposure, the hoarders began to return to the banks or to public custody the gold that had been withdrawn during recent weeks. A large amount of new currency was rapidly printed at Washington and sent to the Federal Reserve Banks in the twelve Reserve cities to

supply the need of banks whose current supplies of money had been exhausted by withdrawals.

To put it briefly, the federal government was in full control of the banking system and there was nothing more to be frightened about. Beginning with Monday, the 13th, there was a rapid reopening of banks for ordinary business throughout the country. The crisis was at an end; but it remained for the Government to work out a new permanent system. This could be done if action were taken quickly, before divergent private interests had again seized control of proceedings in Congress.

### The New Congress Assembles

THE PRESIDENT HAD EXPECTED to call a session of Congress in April; but the situation demanded an immediate session, and the Seventy-third Congress was organized at noon on Thursday March 9, five days after the new administration had taken office. The Speakership was accorded without opposition to Mr. Rainey of Illinois, a veteran of many terms who was known to be in accord with the President's emergency program. The President sent a brief message to Congress asking for full executive authority over the bank situation, including amendments to the Federal Reserve Act to provide for additional currency. Both Houses took action immediately, and the bill was signed and became a law on the very day that Congress assembled. This promptness and unity of action were reassuring.

A good start had been made. But the supreme test of the courage, character, intelligence, and ability of the new Democratic regime to meet the country's most urgent problem was yet to be encountered. Mr. Hoover had striven in vain to secure proper reduction in Fed-



eral expenditures. Private business would not recover without the balancing of the federal budget. Rearrangement of the federal departments would result in economies, but savings could only be made in the huge annual appropriation bill for war veterans. It was estimated that a saving of almost \$500,000,000 could be made by withdrawing benefits from those now on the pension rolls who are not fairly entitled to be there.

The advancement of this issue without delay by President Roosevelt, was an act of courage and of high statesmanship. The lobbies in Washington have become exceedingly assertive in recent years. The agents of the Treasury-looters have been powerful enough to negotiate on equal terms with the Government of the United States. The new Director of the Budget, Mr. Douglas of Arizona, is not subservient to lobbies. He is a veteran himself, and a man of justice and sympathy. He would not allow a single soldier or sailor injured in war service to suffer for lack of government aid.

But the veterans' demands have become a "racket" of the first rank. This racket represents not the deserving, but the undeserving. The entire taxpaying power of America would be exhausted, if this lobby-interest were allowed to continue terrifying Congressmen into yielding to its demands. On Friday, March 10, Mr. Roosevelt sent a message to Congress the opening sentences of which are as follows:

The nation is deeply gratified by the immediate response given yesterday by the Congress to the necessity for drastic action to restore and improve our banking system. A like necessity exists with respect to the finances of the Government itself, which requires equally courageous, frank and prompt action.

For three long years the Federal Government has been on the road toward bankruptcy.

For the fiscal year 1931 the deficit was \$462,000,000.

For the fiscal year 1932 it was \$2,472,000,000.

For the fiscal year 1933 it will probably exceed \$1,200,000,000.

For the fiscal year 1934, based on the appropriation bills passed by the last Congress and the estimated revenues, the deficit will probably exceed \$1,000,000,000 unless immediate action is taken.

Thus we shall have piled up an accumulated deficit of \$5,000,000,000.

With the utmost seriousness I point out to the Congress the profound effect of this fact on our national economy. It has contributed to the recent collapse of our banking structure. It has accentuated the stagnation of the economic life of our people. It has added to the ranks of the unemployed. Our government's house is not in order, and for many reasons no effective action has been taken to restore it to order.

The President proceeded to show the vastness of the interests, private and public, that rest upon the unimpaired credit of the United States government. He pointed out the Treasury emergencies that require immediate action. He tactfully assumed that Congress was in complete agreement with him, as to the necessity of drastic retrenchment at this time, and he declared that he was not speaking in general terms but was "pointing out a definite road." He then stated in simple terms the principles that should apply to the granting of pensions and other veteran benefits. In like manner he discussed methods of economy in the government's civilian payroll. He asked to have details of administration left to the Executive and assured the reasonable prospect of a balanced budget within a year.

## The Country Overwhelms a Lobby

ALONG WITH HIS MESSAGE a bill was presented that surprised Congress and the country by its sweeping character. That thoughtful citizens were even more delighted than surprised was too evident for the slightest doubt. The lobbies tried to make terms and to compromise as they retreated. A good many Congressmen were more afraid of bonus-seekers than of the disapproval of right-thinking people in their districts. But the tidal wave of enthusiasm for the Roosevelt program had not subsided sufficiently to uncover the trench-lines of those groups that regarded it as their vested right to loot the Treasury for their own benefit.

Here was a measure that if introduced in an earlier Congress would never have been reported out of committee. It could never have been brought to a vote. But on Saturday, the very day following the receipt by Congress of the President's message, the "economy bill" was passed in the House, by 266 to 138. This was a national and not a party victory for the President. But for the high tides of public opinion supporting the White House, there would have been a cowardly stampede on the part of Congressmen who are tarred with the marks and labels of the lobbies and special interests. They would have sacrificed the country, if good citizens in their districts had not at last discovered that they must assert themselves.

The Roosevelt leaders were well aware that in all their plans for the present and the future this feature of the program was most likely to encounter fierce opposition. The Democratic caucus rejected the bill, and adopted a timid and objectionable compromise. This perhaps was to save the face of members who had committed themselves during the campaign to the veterans' demands. The caucus, however, did not bind Democratic members to vote for this substitute bill. Representative McDuffie of Alabama, leading the new House Economy Committee, managed the situation on the floor with skill.

On final roll call 197 Democrats supported Mr. Roosevelt, and 91 Democrats voted in the negative. But there were 61 Republicans on the affirmative side, and only 42 Republicans in the negative. If the House had not supported him Mr. Roosevelt was prepared to appeal to the country over the radio. Meanwhile the Senate Finance Committee had decided to report the bill favorably and without changes on Monday, March 13. Republican Senators were expected to act with a majority of regular Democrats in supporting the measure. There was some fear of filibustering and delay, but the President's steam-roller was advancing with a momentum that carried this particular Economy measure to completion before its progress could be checked. When the Senators took their seats on Monday, March 13, the Capitol building was thronged with lobbyists claiming to represent the veterans whose pensions and bounties were at stake. They were appealing to one Senator after another to sidetrack the President's bill and support a compromise measure. They were reporting to organizations at home; and Senators were receiving floods of telegrams. From every state came messages to Senators from aroused citizens, admonishing them to show courage and stand by the President. Other piles of telegrams came from those representing the beneficiaries of the veterans appropriations.

Opponents of the bill were willing to compromise on

a measure that would allow no names to be stricken from the pension roll, however fraudulent, and that would limit reduction of payments to a temporary 15 per cent. A new Democratic Senator from Nevada, Patrick A. McCarran, led the opposition. Senator Harrison, chairman of the Finance Committee took the lead in support of the President's measure. The final vote on this Economy bill came after 9 o'clock in the evening of Wednesday, March 15, with the Senate accepting the measure, slightly amended, by the impressive majority of 62 votes to 13. Only three Democrats joined with Senator McCarran in opposition. The straight Republicans were almost unanimous in their support. The amendments were of minor importance, it being understood that they would not affect the total possible savings under the bill by more than \$10,000,000. The House accepted these amendments, and the bill was ready for the President's signature on March 17th, just a week after presentation of the measure to Congress.

### The President Forces Through His Program

NOTHING IS MORE health-restoring than definite action after long and painful suspense. This is true of individuals, and also of nations. Mr. Roosevelt had won his appeal for authority to deal with banks. He had explained the situation over the radio Sunday night, in simple and reassuring language. The suspense and worry of millions of individuals ceased therewith. Much that was technical remained to be done, but this could be left to the Treasury officials and to the banking authorities throughout the country.

The Economy bill did not blindly confer power upon the President. He had no desire to govern by decree, or to act without specific authority, upon lines fixed in the laws. The Economy bill is extensive and specific; and its application will involve great detail. But the Director of the Budget, the Head of the Veterans Bureau, and various Department officials will work out the new law in relation to the people affected by it. And it is expected that it will reduce government expenses by approximately \$500,000,000.

Nothing of this kind can be accomplished without subjecting great numbers of people to inconvenience, and some of them to hardship. But the national credit was involved. Where this economy measure may impose hardship upon some thousands of individuals, it will directly or indirectly benefit a hundred millions.

In the glow of health and vigor, and in the joy of energetic effort, the great Theodore Roosevelt used to remark to his friends (and frequently to the present writer), "I like my job." There can be no longer any fear that the burdens and anxieties of office may find the physical stamina of Franklin D. Roosevelt unequal to the strain. We find him driving straight at the major items of his program, one after the other, appealing at the same time to Congress and to the country, then leaving the details to be worked out by competent groups of official helpers.

Again and again in our history the American people have shown their capacity for united support of a leader in times of crisis and emergency. The leader had previously seemed just an average citizen, no superman, no great expert. Theodore Roosevelt thought himself a very ordinary, commonplace person. Lincoln was modest to the point of almost excessive humility. Washington took responsibility calmly, but never

thought himself equal in knowledge or ability to any one of a dozen others.

It is the presidential job itself that is great; and a man who has courage and a wholesome kind of self-confidence in the face of things to be done, may make chapters of important history rapidly, and may fix his place among great leaders before he has paused long enough to take himself seriously. With the country behind him, Mr. Roosevelt might win a succession of victories in a month, where less swift and bold strategy would have meant miserable stale-mate after four years of wear and tear in muddy trenches.

So Mr. Roosevelt proceeds blithely with his program. For his second week in office we find him determined to complete the Economy measure, putting it into effect at once rather than at the end of the fiscal year, July 1. Not content with this, two more messages to Congress, one dealing with the manufacture and sale of beer, followed two days later by one on farm relief, showed that Mr. Roosevelt was sticking to his purpose of striking while the iron was hot. It was understood that the remaining message, having to do with unemployment relief would follow in due course.

### Legal Beer, Wine, and Taxes

COMPLYING WITH the promises of the Democratic platform to increase revenue by the legal sale of beer, on Monday, March 13, Mr. Roosevelt sent to Congress the following message of 72 words comprising one long sentence and one short one:

I recommend to the Congress the passage of legislation for the immediate modification of the Volstead Act, in order to legalize the manufacture and sale of beer and other beverages of such alcoholic content as is permissible under the Constitution; and to provide through such manufacture and sale, by substantial taxes, the proper and much needed revenue for the government.

I deem action at this time to be of the highest importance.

Since majorities of both parties favored the measure, Speaker Rainey and the Democratic floor leader, Mr. Byrns of Tennessee, were putting it upon its passage at once; and Senator Robinson of Arkansas, the Democratic leader of the upper House, predicted that action would be taken in that chamber on Wednesday.

It was planned to pass the so-called Collier-Blaine bill of the last session, changed to authorize beer of 3.2 per cent. alcoholic content by weight, or 4 per cent. by volume. The vote in favor was 316 to 97. The Senate however, passed the bill only after amending the alcoholic content to 3.05 per cent. and adding wines of light content, at the behest of Mr. McAdoo and the California wine growers. This delayed slightly the final enactment of the measure. The House disagreed to the Senate amendments to the beer bill on March 17, and without a record vote sent the measure to conference. It was expected that the conference would sustain the 3.2 alcoholic content prescribed in the House bill.

Many large breweries had been getting ready to manufacture the legalized beverages. Since the subject had been debated up hill and down dale for four years at least, there was no need of further debate; and instead of talk there was a general demand for experimental action. The question will doubtless be raised in the courts whether the Volstead Act as thus



modified is consistent with the Eighteenth Amendment.

How will lawful beer affect the racketeers and the venders of illegal substitutes that evade taxation? The answer to this question rests largely with the Hon. Homer Cummings, Attorney-General of the United States, and his corps of law-enforcers who will henceforth, at least for some time, be helping to protect the licensed brewers and sellers of lawful beer against their law-breaking rivals.

Chicago has been the most notorious center of the beer racket as controlled by criminals, among whom the most conspicuous was Al Capone, now serving in a federal prison, not because of his racketeering crimes and the murderous exploits of his gunmen, but because his income-tax reports employed the emphasis of understatement. On February 15, as Mr. Roosevelt had returned to Miami, Florida, after his vacation cruise of a few days in Caribbean waters, his life was attempted by an assassin. Others were critically wounded, but the whole world rejoiced in the escape of the President-elect. One of the public men who was welcoming Mr. Roosevelt at that moment was the sturdy and respected mayor of Chicago, Mr. Anton Cermak. He was shot through the lungs; and in spite of every effort to aid his recovery, he died in a hospital at Miami on March 6. If he had survived, this right-minded mayor of Chicago would have lent all his strength of official and personal influence and authority to help the federal government break down the racketeers.

It was not a question of prohibition at Chicago, but of crime and disorder associated with non-taxed, etherized, and dangerous intoxicants flooding the city and putting hundreds of millions of dollars into the pockets of crime-leaders supported by gangs of murderers. At least the experiment of legalized beer may be worth trying under these conditions, not only in Chicago, but in many other greater and smaller communities.

### Repeal Awaits State Conventions

MEANWHILE, after thirteen years of prohibition experience under the Eighteenth Amendment, the repeal proposal is going the round of the states. On February 20, less than two weeks before the end of the Seventy-second Congress, the House of Representatives by vote of 289 to 121 adopted the repeal amendment, calling for ratification by conventions rather than by legislatures. The Senate had already endorsed the proposal by a vote of 63 to 23. To review the debate that preceded the submission vote in the House would be superfluous. It did not differ from a thousand other debates on the prohibition question. The time had come to give the people another opportunity to express their views, and that was all.

There was decided difference upon the question whether Congress should legislate to prescribe the set-up of the conventions, or leave the states to do it themselves. Several months ago in these pages we commented upon the difficulties that must arise in attempting the untried alternative of dealing with an amendment in special conventions instead of legislatures. With most legislatures actually in session, it would have been simpler to have them act directly upon repeal.

As it turned out, however, the legislatures found themselves responsible for setting up the convention machinery. Massachusetts and other states took action in order that conventions might assemble as soon as

possible. Forty-one of the forty-eight legislatures were in session in February, and two more were to meet somewhat later—Florida in April, Georgia in July. Each state will organize its convention upon plans of its own, and at a date that suits its convenience.

Under this plan it is now evident that repeal cannot be accomplished as speedily as many of its advocates had expected. The Twentieth Amendment secured the thirty-sixth ratification on January 23 by the action of Missouri. Massachusetts and other states followed at once. More than twenty states approved of this so-called "Lame Duck" Amendment in the month of January, as explained in our last number. The cumbrous plan of creating state conventions will be tried for once in this case of repeal; but is not likely to be favored when future changes of the Constitution are proposed.

### Foreign Relations Overshadowed

IMMEDIATELY AFTER ELECTION day last November the European governments had entered upon their diplomatic campaign for reopening the question of their debts to the United States. They were informed that soon after his inauguration President Roosevelt would listen to what their representatives might be instructed to say on this subject. Naturally the bank crisis claimed first attention, as all the diplomats fully understood.

The steps taken to preserve American credit were highly approved by political and financial authorities in London, Paris, Berlin and elsewhere. It was understood abroad that the gold embargo did not mean that the United States would fail to maintain the gold standard. The new Federal Reserve notes were not regarded as "inflationist" paper, in conservative financial circles. The handling of this credit crisis would seem to us to preface a discussion of the debt question, in due time, that will almost certainly be at once courteous, considerate and practical.

There has been much foolish and mischievous talk about differences between the United States and Japan that might lead to a breaking off of diplomatic and commercial relations, or even to armed conflict. There is no reason whatever for apprehensions of this kind. There has, apparently, been more attempt to stir up American sentiment against Japan by reason of the advance of Japanese troops into provinces of north China than to arouse the Chinese people themselves. Under existing treaties the United States has commercial rights throughout China. The Japanese disavow any purpose to interfere with our trading freedom.

Our Government, in accord with the League of Nations, deplores armed conflict between Japan and China. Of the two countries, China is by far the more populous and wealthy. When the Chinese people bring themselves to the point of supporting a stable government, they will be fully able to maintain their rights—even to the extent of recovering what may have been lost to them through their unfortunate conditions of political chaos. The people of the United States hold the Japanese and the Chinese in high regard, and wish to be on the most friendly terms with both. Meanwhile it would be well for certain Americans if they could grasp the simple fact that the Chinese and Japanese leaders and people understand each other far better than we understand either of them. We can do very little to resolve their differences, unless both of them call upon us for friendly counsel.

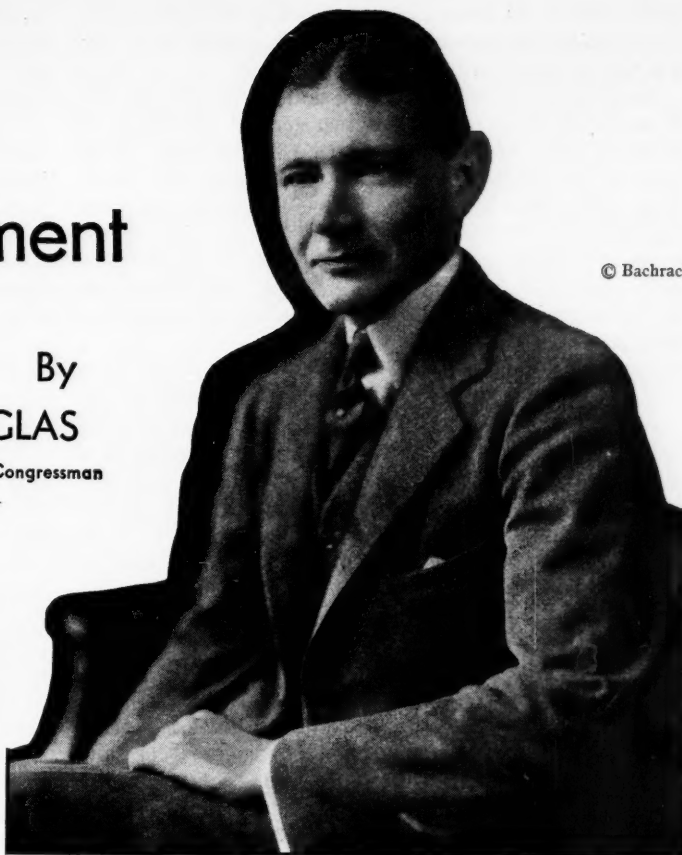


# ECONOMY in Federal Government

By

LEWIS W. DOUGLAS

Director of the Budget; recently Congressman  
from Arizona



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**T**HE World War and its termination let loose a host of economic factors which are now becoming sharply silhouetted as contributing to if not actually causing the intensity of the present world-wide decline in commercial activity. Debts, an inevitable aftermath, have imposed heavy interest and amortization charges upon national treasuries. Pensions and other payments to World War veterans make up an almost equally heavy burden upon national incomes. But this is not all. Though, had there been no war, additional national expenditures might have been undertaken as a natural incident to technological developments and to tendencies inherent in democracies, nevertheless it is probably true that the war accelerated the expansion of budgets. It may be unfair to impose upon the war this responsibility. But whatever the cause, the naked fact remains that since the war national budgets have increased many times in size while the cost of local governments has increased, in this country at least, by an even greater amount.

In almost every nation budgets fell out of balance—some with resounding and continuous crashes. Where no efforts or merely feeble attempts were made to bring them into equilibrium not only the governmental credit suffered but the credit of industrial agencies too became impaired. And the effects were felt not only intra but also internationally. In some instances uncontrolled inflation of currencies resulted. The effects were cumulative, intensified and almost ruinous. They forged links in the chain binding the world to the depression.

Where substantial efforts were made to bring expenditures within revenues the emphasis more frequently than otherwise was placed upon increased taxes, new methods of deriving revenues, rather than upon curtailment of costs.

Where the methods adopted were in the form of property taxes the margin of profit, already low, was reduced or eliminated, production was curtailed, unemployment increased, consumption diminished. Another force tending to retard rather than to encourage recovery was set in motion.

Where the method adopted was in the form of sharply increased income taxes, though the effect was

**BALANCING** the budget is perhaps the most important as well as the most difficult task facing the new Administration. Mr. Douglas has been chosen to do the job. These remarks, delivered before the Academy of Political Science in New York last November, show the clear perception and firm purpose which are attributes of our Director of the Budget.

not so apparent, nevertheless it was evidenced by a decline in consumption, a reduction of capital available for investment in productive enterprises.

The mere imposition of new taxes or substantial higher old ones as principal methods of bringing budgets into equilibrium, though the better course to pursue when compared with that of continuously spending beyond income, nevertheless has unfortunate effects strangely mixed with the good—the good represented by a balanced budget, the bad evidenced by a tax burden ranging, according to the government, from 20 per cent. to almost half of the total national income.

If expenditures increase as they have during the past decade and if national incomes continue to decline, it will not be long before the entire world income will be absorbed in taxes. The same result will be attained, though within a longer period, if costs follow their present trend and if national incomes remain constant. This is not an encouraging picture. History has demonstrated too frequently the serious consequences of heavy tax burdens for us to lightly pass over, to ignore those now imposed.

But there is another reason for the importance of retrenchment. If the diversion of too large a portion of national incomes to meet the expenditures of government is an influence retarding recovery, it not neces-

sarily but in all reasonable probability follows that a reduction in the amount so diverted will at least lay a firmer foundation for economic revival.

How is this foundation to be laid? An examination of national budgets discloses two general categories of expenditures. In the first is to be found those which have to do—(1) with unemployment insurance funds or in their absence with unemployment relief; (2) with expenditures for the general social welfare such as for example, education; (3) with payments to veterans of past wars; (4) with aids to industry, commerce and agriculture; (5) with the police force; (6) with the construction of public works.

**T**HOUGH the extent to which these items absorb national incomes and throw budgets out of balance has an important bearing upon the credit of a given government and therefore is not purely domestic in effect, nevertheless a reduction in them is a matter of purely municipal action.

That substantial reductions in our federal budget can be effected is made clear by an examination of these expenditures. Within the items listed as aids to industry, commerce and agriculture there are to be found large sums devoted to futile attempts to lift off the market surplus agricultural crops and almost equally large items designed to increase the production per acre; important items for the purpose of encouraging a foreign trade made impossible elsewhere in the statutes by a tariff law that is almost an embargo. Within the field of public works there are items for the construction of great arterial public highways to be used by competitors of the railroads to whose assistance the government has already come and in the future may be compelled to come, to a greater extent, in order to preserve a part of our financial structure. And within the same field there are items for the construction of at least one great project designed to increase the arable acreages and surplus agricultural crops for the attempted disposal of which in another field large sums are expended. These few examples are indicative of the amazing inconsistencies to be found in our budget. In some measure they contradict, nullify one another.

But there is another reason for holding firmly to the belief that economy can be accomplished. Only 25 per cent. of our budget goes to service the public debt. The remainder or 75 per cent. is clearly susceptible to reductions. Within that 75 per cent. there are such items as payments to veterans and the administration of a Veterans' Bureau. But there is no reason why either the administration of that bureau or compensation and pensions must be considered to be so sacred that to them there may not be applied a horizontal reduction or the elimination of obvious and patent inequities. And within that same 75 per cent. of the budget there are items for the national defense. Here too, in the absence of an international agreement limiting armaments, smaller economies can be effected through increased efficiencies. And after disposing of these two substantial items amounting to approximately 42 per cent. of the budget there remains another 33 per cent. devoted to various activities all susceptible of substantial reductions or even elimination. One of the most important is that having to do directly and indirectly with prohibition. Surely then it cannot be successfully maintained that with only one quarter of the budget absorbed in literally fixed charges the expenditures in-

cluded in the remaining three quarters cannot be reduced. On the contrary this statement coupled with the examples here given of extraordinary inconsistencies demonstrates that large curtailments can be attained.

Yet whenever an attempt is made to reduce the inconsistencies, to eliminate obviously useless expenditures, there is encountered a stubborn resistance on the part of the bureaus and bureaucrats, a political defense so well entrenched and so well fortified that it is justifiable to speculate on the question, have the "servants become the masters". And when there is added to the power of the bureaucrats that of the groups and organizations opposed to retrenchment in items in which they have a particular interest, the attainment of the objective becomes a matter of great difficulty requiring an equally great firmness and resoluteness of purpose.

The accomplishment of the task requires then as the first pre-requisite a fixed unalterable determination to succeed, "a will to do". And this determination must inspire not only the legislative but also the chief executive, for the legislative legislates on the recommendations, among which is the budget, submitted by the President.

But in addition there must be made by a competent non-political group a comprehensive impartial analysis of the items included in the budget, an evaluation of their purposes, a determination of the extent to which they are contradicted by other items. In short the whole field of governmental expenditures, the hit-or-miss result of hit-or-miss political acts, neither synchronous in point of time nor coherent in design, must be completely studied, valued and reconstructed in one complete and consistent plan harmonizing present needs with present abilities to pay.

This investigation must include not only the items carried in annual appropriation bills but also the acts authorizing them. It must likewise examine into what are known as permanent appropriations.

To accomplish the task it may be necessary for Congress to discard its traditional policy of appropriating for each item and to grant reduced lump-sum appropriations for each department, relying upon the departmental head to distribute the funds in accordance with needs.

**A**ND finally—and upon this probably the success of the program rests—Congress must be supported by a swell of public opinion not only for reduction in annual appropriations but also for the revision and in some cases repeal of authorization acts and permanent grants.

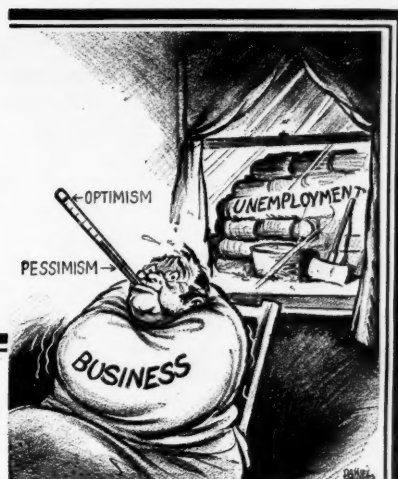
Into the second category of national expenditures there are to be found items which have to do (1) with debts, interest and sinking fund requirements and (2) with armaments. It would be beyond the scope of this paper to engage in a discussion of intergovernmental obligations. It is, however, relevant here to discuss briefly the items of national armaments. In almost every budget they absorb a substantial percentage of the national income. Few if any of the great powers will make material reductions in their national defense programs in the absence of a commitment on the part of the other powers to do likewise. If budgets and peoples are to be relieved of a substantial portion of the crushing burden of the cost of armies and navies it must be through international agreement. The spirit of nationalism makes this the only course to pursue.

# SALESOCRACY

FORGET the thermometer  
and try the axel

By Bishop, in the  
St. Louis Star and Times

By ROGER W. BABSON



**M**Y OBSERVATION is that whenever the human race—or any sizeable portion of it—has been confronted with a serious crisis, the solution has never arrived suddenly and dramatically. After all the frantic exhortations have been offered, after all the packages of drastic and neatly labelled remedies have been opened up and examined, after the fanfare of excitement has died down, human beings have a way of slowly and painfully going back to first principles and by unadorned hard work and undistinguished but persistent effort bringing order once more out of chaos.

Today a good part of our trouble is due to the very efforts that are being made to relieve it. We are surrounded on all sides by people who see precipice brinks wherever they turn. They are imbued with the conviction that only a miracle can save the world from complete catastrophe. The air is saturated with this sort of desperate pessimism. The result is that panaceas are flying everywhere, clouding our vision and making it difficult to view the situation sanely and calmly. The closing of all banks on March 6 was an illustration of this pessimism.

H. G. Wells tells how ever-present this type of person was in England during the darkest days of the war. He called them the "for-God-sakers." They were forever frantically clutching at Cabinet members' sleeves and crying "For God's sake, let's do something!" In the end, British grit and tenacity won through without the Englishmen losing their heads, or lending their ears, to this sort of hysteria.

Across my desk daily come scores of plans, each one of which if applied, would, according to the sender, bring prosperity back tomorrow on the double-quick! So the sender assures me, and so he honestly believes. It takes a depression like the one from which we are now slowly emerging to bring out a certain amount of infantilism on the part of a surprisingly large proportion of the American public. This fact was also demonstrated by the silent but stupendous bank runs of last month.

These self-appointed saviors are well-meaning men who are quite convinced that if the handsome brochure which they have circulated at their own expense, entitled the "Jones Plan for Restoring Prosperity" or the "Smith Facile Money Program to End the Depression," should be put into operation, our troubles would

be over. The fact is that we are not now and never have been living in a world where there are easy answers to our social and economic problems. This fact, however, seems impossible for a great many people to comprehend. So these nostrums and panaceas from politicians, technocrats, and other muddled economic medicine men are steadily dinned in our ears.

Even to refer to technocracy in disparaging terms is giving too much attention to a subject which skyrocketed across the American scene during the past few months, and which already has been consigned to the oblivion to which all fads so quickly go. But the subject of technocracy had a cruel timeliness in its impact upon people, since it flamed up at a time when we all were struggling under the severest burdens of the depression. Consequently people were particularly sensitive to any plausible dramatization of these seemingly overwhelming hardships.

There is another group of men who are abroad in the land doing much more harm than the cure-all specialists. I refer to those who sit back, shake their heads despairingly, and say, "There is nothing we can do. We must await some new industry which will do what the automobile industry did twenty-five years ago. Unless some new invention or development of that general nature shows up, offering employment to at least five million men and women, we're licked!"

**T**HIS doctrine is just as dangerous as that of any panacea. There is nothing more vicious in its effect on human character and stability than the policy of waiting for something to turn up, waiting for a wholly capricious life preserver to lift us out of the deep waters of the depression. I fear that too many bankers and some college professors belong to this benighted group of individuals.

It would be a splendid thing if some new industry were to come along tomorrow which would as it developed provide employment for five million men and indirectly be a stimulus to a score of existing industries. Perhaps today some scientist, hidden away in a laboratory, may raise his eyes from a test tube and realize that his labor of years has at last been rewarded. Perhaps tomorrow he can announce to the world a discovery which will usher in something as revolutionary as the telephone or the automobile or the radio. Per-



haps! But it's not our job to sit back and wait for this discovery or that invention.

A study of those inventions which have played so important a part in raising the American standard of living in the past century shows that they have come along at irregular intervals. Sometimes two or three crowd each other closely within a few years; sometimes there is a gap of a decade or more when there is no real development of major significance. We may possibly be in a period today when we will not find a vital new industry on our economic doorstep for some time. Let us therefore forget this idea of extracting some marvelous new activity like a white rabbit out of a hat, and let us face the job which confronts us. *That job in brief is to start the American standard of living moving upward again, and to do so it is first necessary to restore purchasing power.*

I have chosen the word "Salesocracy" as representing the paramount need of today. We have got the goods; it is only a question of *delivering* them. Distribution is the big problem ahead of us. Let's get things moving, not only commodities but also money. Rate of circulation both of goods and money is clogging the arteries of our economic system. This moreover can be remedied only by each individual doing his or her part in speeding things up.

**T**HE velocity of money turnover is more important today than the amount. In 1929 our bank deposits totalled 54 billions of dollars, and were turning over at the rate of 45 times a year. Today we have deposits of 42 billions, but these are turning over only at a rate of 16 times a year. Right there is the nub of our distress. To solve it we must increase purchasing power, and we can do this in only one way—*by accelerating the rate of circulation of money.* There is money enough. The trouble is that much of it is not circulating. *Much* of it is piled up in the banks; but *most* of it is hidden away in homes and hence lost to active circulation. *All* of it is merely dragging along, doing as little as possible, and staying with each person as long as that person can keep it.

To get this money back into industry, where it will start production and pay wages, is the big job. Upon the advertising and sales forces of the nation this responsibility rests. If every person with a job in the United States could be induced to spend only one dollar more per week during 1933, the volume of business would probably be increased \$10,000,000,000. Of course, 30,000,000 workers multiplied by 52 results in only \$1,560,000,000; but it is estimated that each dol-

lar spent changes hands at least over six times. Banks would release billions more to finance the purchase of commodities and equipment; industry would step up its rate of employment and production; hence payroll totals would increase, purchasing power would advance, and prosperity would return.

To start the wheels of business rolling, we must develop in people a patriotic desire to help get money circulating *normally*. Already there is a large volume of cash funds available for consumers, and of credit available for capital improvements; but these funds and credits are not being used. People have lost the inclination to trade and create. The real lack today is not so much the *ability* to trade and create as the *desire*. It is a scarcity of *spirit* rather than of money or credit.

Prosperity will not be hastened by having people loaf more hours a day or more days a week, thus stabilizing production at present low figures. Men can be put back to work, interest and rents can be earned, and general prosperity can be hastened by enlisting the unemployed to create—under proper leadership—a desire to buy. Hence, the most practical legislation which the federal government could enact would be to subsidize, not idleness nor even the building of public works, but rather *advertising and selling*. These are the two things which the Government should subsidize, if it is to do anything radical to hasten the return of normal times.

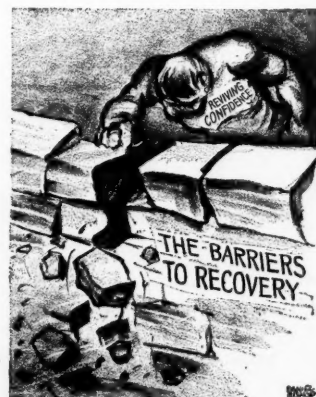
But behind all this machinery, back of these methods, lies the ingredient which I referred to in my opening paragraph and which we as a people must possess if we are to solve our problems. Hard work, patience, willingness to dig in and to shoulder the problems of today, each doing his share, each meeting the task which lies before his hand—these perfectly ordinary virtues are what we need most today. Just as President Roosevelt was dependent upon the votes of individuals to get elected, so he is now dependent upon the individual efforts of all men and women to bring back prosperity to our country.

The world is in difficulties—yes! Only a fool would dismiss our troubles as trivial. But the world has been in difficulties before. Let us not consider our generation as set apart by the Maker for a fate which has never been inflicted on mankind until the year 1933. Let us attack the problem in the way I suggest, without fireworks, without theatrics—just plain common sense and hard work put solidly behind Salesocracy. Do this and the results will be apparent before the year 1933 is over!



NOT WORRIED.  
JUST WAITING  
By Sykes, in the  
New York Evening Post

BREAKING OUT!  
By Bishop in the  
St. Louis Star and Times.



● THE KEY to sound banking policies for the United States may be found in a study of the Canadian system. No banks have failed in the Dominion in the past decade.

# Canada's Banking Strength

By JOSEPH STAGG LAWRENCE

THE YEAR 1932 may well be said to mark the end of the dismal decade of American banking. At the beginning of this decade the land had a little less than 30,000 banks. At the end it had less than 20,000. Slightly more than one bank out of three bit the dust of insolvency and in doing so wiped out stockholders, froze deposits for varying periods of time, and inflicted substantial losses upon entire regions. The paralysis of normal business in communities afflicted with the scourge of bank suspensions has been one of the more serious chronic ailments of a country which otherwise during the greater part of the post-war period enjoyed an extraordinary measure of prosperity. Though the depression unquestionably brought particular grief to our banks, the fact remains that it merely served to emphasize more clearly certain basic faults in our banking system—and in our bankers.

The point acquires added force as we glance across the border at our neighbor in the north and note that its banking system remains unimpaired while at home a national banking holiday is necessary as the prelude to a thorough purging of the entire system and its reformation. Canadian depositors have lost no money through bank failures. Every community in the Dominion possesses the excellent banking facilities provided by the branches of one or more of the great chartered banks. Why have we been selected for special sorrow? Wherein lies the secret of Canadian banking strength? How can we profit by the structure and experience of the Dominion's banking system, that we may in turn avoid those evils which have beset us during the last decade?

The answer is not altogether simple. It must be approached through the many differences between the systems of the two countries and the application of a discrimination which will reveal those distinctions that are the key to Canadian banking strength and whose absence constitutes the answer to our own banking troubles.

First and most obvious among these differences is the presence of nation-wide branch systems in Canada and the confinement of branch banking in this country to a limited number of states. It has been argued that the distribution of branches throughout the country enables a bank to diversify its risks, and thus acquire a stability

not open to the bank which serves but a single community. This is a time-worn analysis whose greatest virtue is that it is easily understood. Branch banking may be desirable for other reasons; but its merits from the point of view of safety are more apparent than real. Demonstration of the point must in this instance pause with the observation that the most serious bank failures in this country have been those of banks with great systems of branches, notably the Bank of United States and more recently the two banks in Detroit whose failure ushered in the great *Standstill* in American banking.

A far more vital difference is the severe limitation in the number of Canadian banks. Of these there are at present but ten. One, Barclays, is merely an overseas agent of an English bank. Two others serve the limited area of the French provinces. Thus there are seven left to serve a far-flung territory. Banks, like all other enterprises, must subsist upon a volume of business that has a direct relation to the population, wealth, and business activity of the community. It is not only difficult but imprudent to attempt to drum up business deliberately for the purpose of supporting a bank. The sale of Peruvian bonds of doubtful merit by evangelical salesmen is a good illustration of what happens when banking facilities are redundant and the banks are forced to unwholesome competition to sustain themselves.

CANADA HAS HAD the foresight and the great political perception to practice strict birth control in the grant of bank charters. The matter is left largely to the discretion of the Canadian Bankers Association. In addition to satisfying the association that he has ample capital, not less than \$500,000, the applicant must demonstrate a need for banking facilities not adequately provided by existing banks. To illustrate the importance of this point, we may take the experience of two states in this country, North Dakota and New York, before the turn in the fall of 1929. In 1920, North Dakota had 898 banks or one bank for every 725 inhabitants. New York had 1,056 banks, or one for every 10,400 of her citizens. The human base which supported one bank in New York had to support fourteen banks in North Dakota. During the period 1920-1929, 444 banks failed in North Dakota and 12

in New York. Our state banking commissioners, and this applies to the Comptroller of the Currency in the years immediately following the war, dispensed charters with an utter indifference to the needs of the communities in which they expected to operate.

An equal disregard for the safety of our banks is evident in the capital requirements set by statute. Mention has already been made of the fact that no bank in Canada can start in business unless it has a paid-in capital of half a million dollars. This is important, since the capital of the bank is the hostage which the stockholders offer the depositors to insure the prudent management of the institution. If the bank makes mistakes which result in losses, they are chargeable first to the profits of the bank, next to its capital, and finally to the depositors. Thus the greater the capital fund the safer the bank, other things being equal. Many of our states have no minimum capital requirements for banks, with the result that banks can be operated on shoestrings. One bank in Tennessee for years solicited the funds of depositors with a capital of only \$5,000.

**T**HE ELEMENT of reasonable profit as a factor of safety has just been mentioned. Obviously, the greater the margin of earnings the more capable a bank is of charging losses to its income before encroaching upon its capital or deposits. Canada's banks cooperate in the determination of reasonable interest rates upon deposits, which permits the banker to invest his funds safely without the necessity of courting those high yields that come only with undue risks. The rate on savings deposits for years has been uniform throughout Canada at 3 per cent. The rate on demand deposits is  $\frac{1}{4}$  of 1 per cent. In this country the average rate on savings deposits has been over 4 per cent, and in some cases reached 5 per cent, while the rate on demand accounts until recently has been 2 per cent. These high rates are the result of competition among an excessive number of banks for a limited amount of business. The banks in turn are compelled to consider "attractive 7 per cent. bonds." In the end the depositor pays the bill.

Another form of unwholesome competition rampant in this country which does not exist in Canada is that between various systems of banks. In this country each state has the right to charter banks. Together with the similar power of the federal government, this establishes 49 different jurisdictions under which banks may operate. To banking we may apply a variation of Gresham's law which has been known to operate on money. This is to the effect that poor money drives good money out of circulation. In a similar manner it might be said of banking that poor jurisdictions drive good jurisdictions out of use. The greater laxity of state laws, the lower capital requirements, the less rigid inspections, the right in many states to purchase and own stocks, have kept approximately two-thirds of our banks within state folds in spite of the decided advantages of a national charter and membership in the Federal Reserve system. Depositors unable to perceive the peril in the indulgence of state codes have tolerated a patch-quilt banking system. In Canada there are no

banks chartered by provinces. Birth certificates are issued only by the Dominion government.

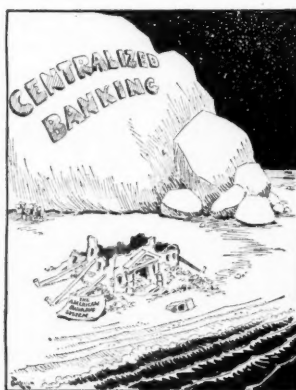
So far this discussion has dealt in distinctions of form between the banking systems of the two countries. The rules of the game as laid down in the Canadian banking law offer some startling contrasts to American legislation. The most important of these is the prohibition of loans upon the security of real estate. Canadian law in this matter displays what might well be termed an informed intelligence. It seems to realize that an institution which places itself under vast obligations payable on demand, as are bank deposits, should in turn accept only commitments equally liquid. If a bank accepts a \$5,000 deposit from Smith, payable on demand, and then lends it to Jones on a five-year mortgage, it may find itself in a most embarrassing position should Smith decide to exercise his right. This is precisely what the Smiths in this country, during the latter part of February, did to banks which had loans to real-estate-owning Joneses that could not be collected. The result was that a national banking holiday became necessary. Canada wisely confines real estate loans to insurance and special mortgage companies, who are not under obligation to pay out their assets on demand to their creditors or owners.

Other rules which have special significance for us today are the tabu upon loans secured by bank shares, the ownership of common and preferred stocks, the prohibition of loans exceeding \$10,000 to any officer or bank employee, and the ban upon participation by the bank in any trade or business. The Canadian law embodies the curious notion that a bank should stick to banking.

However, after all is said and done it remains to affirm that banking is a profession. No physical form be it ever so soundly conceived, no code of rules be they ever so wise, can assure good banking without good bankers. It is in the quality of Canadian bank management that Canada perhaps finds its greatest banking strength. There is a pride in safety and service, the flower of a deeply rooted tradition of banking, to which the desire for profits is completely subordinated. To a student of Canadian banking it seems unthinkable that the prospect of a fat bonus or an extra half per cent. to stockholders should lead to the use of bank funds in doubtful loans. Canadian bankers serve a long apprenticeship and are carefully trained before they assume the responsibility of an executive position.

What a contrast to the American banker! Early in January a small bank in an eastern state folded up. The story is characteristic. The president had made a nice little fortune in the manufacture of soap. He retired, became restless, and cast about for something to do. Although he did not know the difference between a bank debit and a bank acceptance, he organized a bank. With commendable civic pride, but atrocious banking judgment, he backed a new convention hall with his own and depositors' funds. A receiver is now ministering last rites to the bank.

Such an experience is not possible in Canada. Canadian bankers are not trained in soap factories. Canadian depositors have not lost a thin dime in the last decade.

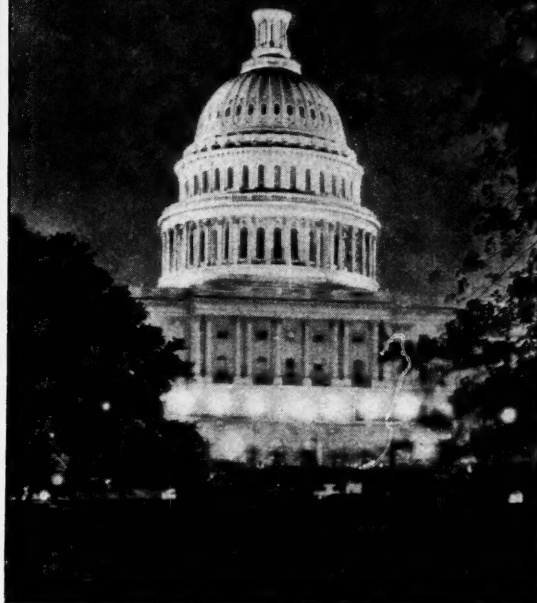


By Carlisle, in the  
Des Moines Register  
The American Banking System,  
a house built upon sand.



Symbol of American Government; the floodlighted Capitol, at night.

Photograph by R. I. Nesmith & Associates



## Executives in the "New Deal"

By ALBERT SHAW

THERE IS CURRENT discussion about the number of words in the English language. Whether there are half a million words or only a quarter as many has something to do with recent expansions of scientific nomenclature. If the vocabulary of government, politics, and kindred affairs of social and economic life were as definite and precise as that of the physical sciences, we should perhaps need many more words than are now in use.

The present article is concerned with the new executive régime, and the higher official personages at Washington under Franklin D. Roosevelt as "Chief Magistrate." Articles of this kind about our government employ the words President, Cabinet, Party and various others, with the meanings whether legal or popular that are familiar to us in the United States.

Meanwhile, the newspapers of every country in both hemispheres have been telling their readers about the new American President and the new American Cabinet. In the more important countries, also, they have been made aware of the newly elected Congress, as now in session; and they think of it as virtually equivalent to their Parliaments or *Corps Legislatifs*.

But our Chief Executive is not in point of fact merely one of a series of official personages bearing the title of President. In round figures there are eighty autonomous governments in the world, and half of these support functionaries whose legal title is the same as that of Mr. Roosevelt. But when we consider the constitu-

tional positions of the Presidents of France, Germany, Spain, Poland, Czechoslovakia, Turkey and various South American states, we realize that every presidential country has its own kind of headship, and that some presidents are czars, some are sultans, and some are but ceremonial personages.

If each of these countries had its own peculiar title for its head of state, we should have forty words instead of one. Nobody would then think of Presidents as a class somewhat as we think of the Governors of our states, who actually form a class because their powers and duties are so much alike.

These preliminary remarks have little bearing, except as they may help some readers to understand that our new President, Franklin D. Roosevelt, holds an office that has no exact parallel in any other country of first-class importance. Under favorable conditions of political wind and weather, the office is supremely influential. Today, the new incumbent is the world's most powerful ruler, through consent and acquiescence on the part of Congress and the public.

The term Cabinet is one that we derive from European systems. We search the Constitution in vain to find the word Cabinet, or to discover any authority conferred upon a group of officials even faintly resembling that which is exercised in Great Britain and France, where they have what is known as "Cabinet Government." Our own Constitution declares that "The executive power shall be vested in a President of



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★ WILLIAM H. WOODIN, SECRETARY OF THE TREASURY

the United States of America." From time to time we have amplified the mechanism of civil government, and have added to the regular administrative departments until there are now ten. But the executive power of the President remains exclusive, without distribution or diminution.

The Constitution says nothing about the "departments," except as it declares (in specifying some of the powers of the President) that "he may require the opinion in writing of the principal officer in each of the executive departments upon any subject relating to the duties of their respective offices." The original Constitution was framed by men of wisdom and foresight. They left it to Congress and the President to elaborate the executive machinery, and to rearrange it in accordance with circumstances.

We have been consistent for almost a century and a half in attaching importance to the heads of the executive departments as incumbents of permanent positions. Beginning with the Department of State, that of the Treasury, that of Justice, the Postal Service, the Departments of War and of Navy, there was set up, years afterward, the Department of the Interior and then that of Agriculture. Finally, a Department of Commerce and Labor was created which was soon divided in order to give us the separate head of a Labor Department. Once established, a "department" has always survived regardless of logic.

Many separate bureaus and services have been created from time to time. Most of these services have been grouped under the department executives. But other agencies have been established which are "independent," such as the Interstate Commerce Commission, Federal Reserve Board, Federal Trade Commission, United States Shipping Board, United States Tariff Commission, Veterans Administration Federal

Power Commission, Inland Waterways Corporation, National Screw Thread Commission, Federal Radio Commission, and a number besides these.

Inasmuch as the Constitution confers executive power upon the President alone, it is reasonable to hold the view that he should have uncontradicted authority to arrange and rearrange the departments and agencies which exist for no reason except to make possible, or at least to render convenient, the practical exercise of his constitutional authority. But since the existing departments and special agencies have been established by law it becomes necessary that Congress should cooperate with the President, on one plan or another, when changes are to be made.

For almost a quarter of a century successive Presidents have sought to bring about a genuine and sweeping rearrangement of the administrative groups and functions. There is much overlapping and duplication. Many millions of dollars could be saved by a better arrangement. But because the number of salaried places would be reduced, the resistance to change has hitherto been invincible though invisible. Congressmen were never quite ready to support drastic reform.

A bill was passed by the recent Congress authorizing President Hoover to take the initiative, and to institute a program of changes that would go into effect after sixty days notice, unless Congress within that time should lose its nerve and object. In accordance with its nature and instincts, the Seventy-second Congress did obstruct and nullify the changes that Mr. Hoover proposed, and that would have saved money and rendered the government more efficient.

In its last stages, however, the expiring Congress actually conferred still broader powers upon the President; and Mr. Hoover signed the bill that now makes it possible for Mr. Roosevelt to proceed without delay.

**A**T LAST THE CONDITIONS were favorable for achievement. This reform of government has long been supported by thoughtful men and women of all parties, but it could be accomplished only when there were strong majorities in both Houses of Congress that were unmistakably advised by their constituents to follow the leadership of the President.

There are times when private affairs absorb the attention of most of us Americans because there is normal prosperity, with no seeming need for the intervention or aid of government. But it was plain last fall during the presidential campaign that after three years of extreme depression and alarming growth of unemployment we were not on the high-road to recovery. Private incomes had been so cut down that most families had been compelled to make radical reductions in their scale of living. But the extravagances of municipal housekeeping were unchecked. The forty-eight states were not abandoning any of their expanded functions. Worst of all, the reckless wastage of national resources at Washington by the federal government had persisted with little abatement.

Something had been done to relieve private unemployment. But hardly anything had been attempted, in a spirit of agreement, for the relief of impoverished tax-payers. The federal government was continuing to live on a four-billion dollar scale of annual expenditure, with something like half of it borrowed in the market places because of shrunken receipts from income taxes and other sources.

No one could be blamed for failing at the outset to foresee the full extent of the troubles that were impending. During the war, and for a good while afterward, we had supported Europe as well as ourselves; but European credit and commerce had finally broken down, and we were sucked into the vortex.

Mr. Hoover fought the depression with untiring energy and with amazing resourcefulness in proposing expedients. How much worse our predicaments might have been but for his applications of first aid, and his bold palliatives that a reluctant Congress half-spoiled in acceptance, is another story, which will be fairly told in due time.

But with the prohibition issue and the agricultural crisis complicating the political situation last fall, the Democratic party under Franklin Roosevelt's lead took bold positions and declared for a "New Deal." The Democrats had already gained ascendancy in Congress. The Republican party had held the Presidency for twelve years. To have reelected Mr. Hoover with an anti-Hoover Senate, and with a House evenly divided against itself or slightly Democratic, would have meant four more gloomy years of discord and deadlock at Washington.

The country needed unhampered leadership. There was only one possible way to obtain it. The Solid South had gone back to the Democratic fold with the certainty that Messrs. Roosevelt and Garner would sweep everything before them. The Republicans were on the defensive. Mr. Farley, as bold campaign manager, was claiming every state in the Union for Franklin Roosevelt. Skillful management brought Tammany into a condition of subordination. Promises of a radical nature appealed to the western farmers. Since it was plainly impossible to reelect Mr. Hoover with a transformed Senate to support him loyally, and with a workable majority in the House, the country was impelled, as if by unreasoned instinct, to bring the Democratic party into power with a sweep.

The older and more conservative Democratic leaders were not quite sure of Mr. Roosevelt. "Big business," while recognizing Mr. Hoover's liberalism and his aloofness from selfish interests, felt somewhat more at home with Republican department officials. They quoted the old warning against changing horses in midstream. But voters in the mass felt that a complete change could make matters no worse. It might indeed crystallize much that remained in a murky fluid state, as regards the program for recovery.

Considered in the abstract, our machinery of government is bewilderingly complicated. Its too numerous cogs and contrivances are at times most painfully in

evidence. And at such times there are always people who would consent to smash the machine, and try something simple like a military dictatorship. What they fail to consider, in those moods of impatience, is the marvelous manner in which the old machine can pick itself up and speed down the highway when the right lubricant is found and the right fuel fills the tank.

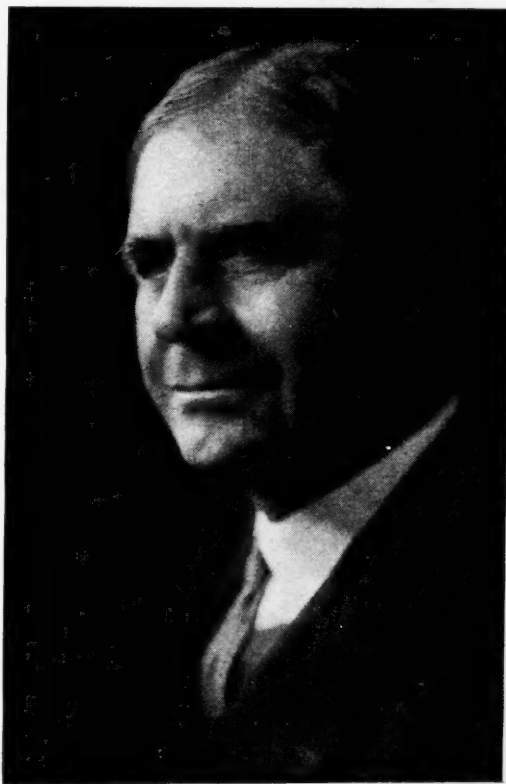
To change the metaphor, our democratic institutions seem satisfactory when the people show true public spirit, and when the ballot boxes bring one party or the other into full power, with voluntary acceptance of the President's personal leadership. Franklin Roosevelt is a superb party politician. This is not said in disparagement. It was necessary to conciliate masses of party voters, and to wipe out factional cleavages in order to win the election.

Campaign success immensely enhanced the prestige of Mr. Roosevelt as a leader. He no longer had to make terms with factional chieftains. Foreign and domestic problems were pressing, and the interval of four months between election and inauguration was fraught

with some embarrassment. But as things have turned out no real harm resulted from that period of waiting and planning. Having gained the Presidency, the leader had to find out what he meant to do with it. As the weeks went by he was consulting with party leaders, and carefully selecting those upon whom he could rely, whether or not they were destined to assume official rank.

So grave were domestic emergencies and so urgent were questions of external trade and international relationships that, as Inauguration Day grew nearer, the issues at stake overshadowed the personnel puzzle. Contacts between the outgoing and the incoming groups became more frequent and intimate. When at last the 4th of March arrived, Mr. Roosevelt found himself so heartily welcomed and supported that he could not distinguish between Republican voices and the shrill cries of his own party masses, in the acclaim of all.

There can be no rule that governs a new President in selecting the men who are to form what is called his "official family". Our two-party system is so firmly established that we do well when for practical purposes we treat it as a part of the accepted machinery of government. Parties in some countries are so hostile to each other that this hostility is carried into social and personal relations. But in the United States, the two parties are in agreement about most things of a fundamental nature. They are rival organizations, with backgrounds of tradition and history. So little is it true that they look with enmity across a dividing chasm, that in Congress and elsewhere



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★ GEORGE H. DERN, SECRETARY OF WAR



the leaders ordinarily work together in the most friendly spirit. The Democrats who were in one way or another giving counsel and support to the emergencies and undertakings of Mr. Hoover's administration included Owen D. Young, Alfred E. Smith, Newton Baker, Mr. Baruch, and many others of prominence. There were Republicans who realized that a party change was desirable at this time, and who supported the Democratic ticket, without disapproving of Mr. Hoover's policies and efforts.

Circumstances and historic facts make New York City Democratic, make Philadelphia Republican, and

with a few altered allusions, Mr. Roosevelt's platform had been adopted by the Republican Convention, the average voter would have known no difference.

But how shall the new President avail himself of the opportunities that lie before him? The Commander-in-chief may have behind him the confidence of his country, and may have at hand a great body of soldiers ready to follow where he leads. But to get things done, he must have a group of superior officers thoroughly loyal to him and to their country's cause, and capable of playing their own parts, both individually and in coöperation. Without the support of such officers, he could not move his army a single mile in an orderly way; could not give it supplies; could not use it as an efficient fighting machine.

President Roosevelt as Governor at Albany was executive head of a reorganized state government. More than a hundred separate services, boards and commissions had been recently grouped into about twenty appropriate departments, each with a single head responsible directly to the Governor. During most of the eight years of President Wilson's administration Mr. Roosevelt was Assistant Secretary of the Navy. He was familiar not only with the structure of the regular departments, but also with that of the independent boards and commissions, some of which sprang up like mushrooms overnight to deal with war emergencies. He is quite as eager as was President Hoover to make a thorough-going job of overhauling the parts of the elaborate executive machine.

In a situation of this kind there are many reasons why new brooms can sweep better than old ones. Many changes in executive posts were naturally expected as a consequence of Democratic victory. Furthermore,

one hundred and sixty new Democratic Congressmen would be inclined to support rather than to resist President Roosevelt's plans of reorganization. All the new Cabinet officers, and the new heads of other services, were bound to give the President loyal support in this bold project of reform. Quick action, as usually in surgical operations, must prove most effective.

Whatever changes are made, the ten Cabinet posts will undoubtedly remain. There will be shifting of bureaus, and unifying of certain functions, such as Public Works. The Treasury Department may carry a reduced load of miscellaneous functions, and the Secretary of the Interior may find his administrative control considerably enlarged.

But the department heads are chosen not only to relieve the President of a vast amount of executive business, but also to assist him in decisions relating to general policies. Each President must decide for himself whether in one department or another he wishes a head officer who is to take large initiative, or one who is to follow the President's constant instructions. President Harding, for example, relied upon Secretaries Hughes, Mellon, and Hoover to assume almost complete responsibility in their fields of foreign policy, taxation and finance, domestic and external commerce. Mr. Hoover's experience had given him so wide a grasp when he entered the White House that it could not be said of him that he was overshadowed by any member



★ JAMES A. FARLEY, POSTMASTER GENERAL

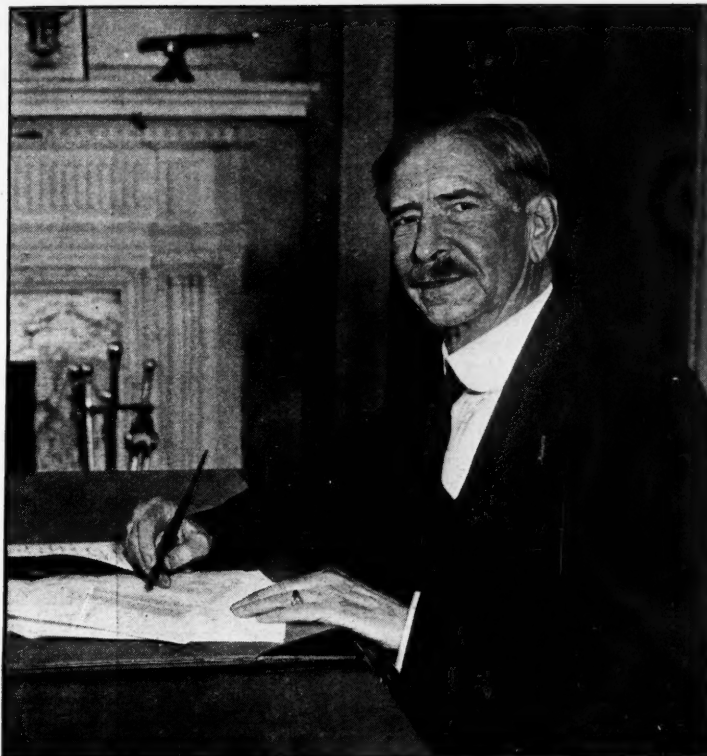
make Chicago uncertain. Historic conditions make the South almost solidly Democratic, and make the Northwest usually Republican. The Republican party's weakness south of the Potomac gives it the appearance of a more sectional organization than its rival, although it is actually more homogeneous.

OUR NEW PRESIDENT is familiar with all these historical backgrounds, and with the structural complexities of both parties. He knows Southern sentiment as such, and understands the sentiments of Western farm states as they show distrust of the manufacturing and commercial centers of the East. So adept is he in making the kind of appeals in campaign time that affect the ballot-box that he might seem inconsistent and unduly responsive in his encouragement of the hopes and demands of all sections and classes. But it is probably true—at least his most intimate advisers would so affirm—that no positions taken by him during the campaign were out of line with the terse and straightforward planks of the Chicago platform. For several weeks before he took office, he and his advisers were associated with Secretary Stimson in showing the world that there is no partisanship in our foreign attitudes and policies. The Democratic platform demanded economy and a balanced budget. It stood for repeal of prohibition, with some concern for the future of the liquor traffic. If,

of the Cabinet. President Wilson was master of the foreign policies of his administration, and kept his hand upon the principles of domestic policy, though Messrs. McAdoo, Baker, Daniels and others were in full control of executive details.

Franklin Roosevelt had a long list of names of possible appointees for important places. There was ample material for the building of a dozen Cabinets. The list was made up only of those who were deemed in all respects worthy, and in most respects well qualified. Day by day the newspapers made and unmade Cabinets for Mr. Roosevelt. In due time he made and announced a Cabinet of his own selection. When he had completed the "slate" and notified the country, there was no lack of critical examination on every hand. And Mr. Roosevelt must have been gratified with the cordial approval of the press, of political leaders, and of responsible persons in all parts of the land.

It was felt that Mr. Roosevelt had given reasonable attention to all the more obvious requirements. There are sectional groups and other cleavages that cause the Democratic party to seem less coherent than the Republican. Thus geographical sections and distinct elements must not be wholly ignored in making Cabinet appointments. Presidents also have to think how well known their appointees have become by reason of public experience or recognized achievement. Some former Cabinets have contained an outstanding celebrity or two, with other places filled by comparatively unknown men drafted from private life. Occasionally a President has bestowed leading Cabinet places as consolation prizes upon eminent fellow-partisans who were his rivals for



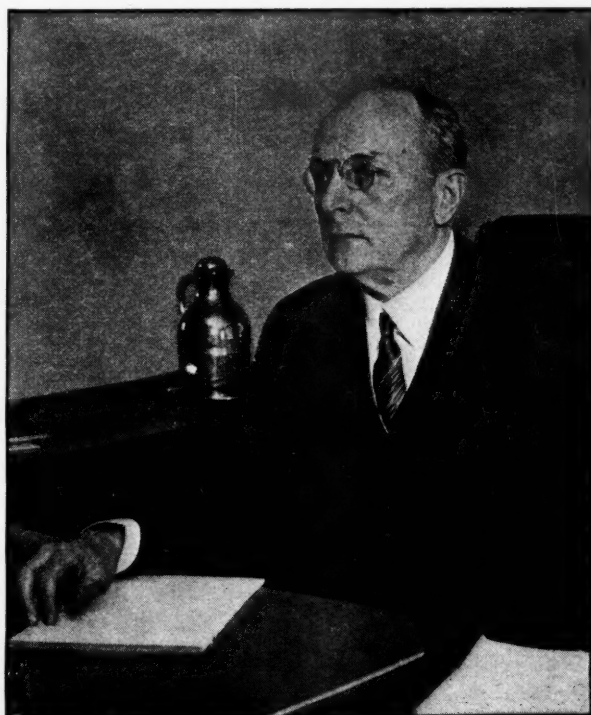
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★ CLAUDE A. SWANSON, SECRETARY OF THE NAVY

the nomination. As a rule, however, the more recent tendency has been to appoint people capable of meeting the tests of their respective jobs, in view of an immense growth of public business.

All Presidents, meanwhile, are quickly made aware that Congress is a coördinate branch of the government, and that the executive and legislative branches should always seek to smooth out differences by means of personal contacts that are often due to previous friendship and association. Undoubtedly Mr. Roosevelt was fully mindful of various advantages and disadvantages in trying to fit particular people into specific places. After some care to be convinced about it, the writer of this article feels justified in saying that Mr. Roosevelt seems not to have had any appointment thrust upon him, or to have named anybody for a high place whom he did not wish to name.

Mr. Owen D. Young has had so much experience in international negotiations and is so admirably fitted for the position of Secretary of State that Mr. Roosevelt was amply justified in extending the reported invitation. But Mr. Young has shown himself always available in times past for temporary public service in special undertakings; and like Colonel House and several others he will be a good adviser without holding office.



★ HOMER S. CUMMINGS, ATTORNEY-GENERAL

**W**E BELIEVE that the selection of Senator Cordell Hull of Tennessee for first place in the Cabinet will within a year have proved itself felicitous in an unusual degree. Mr. Hull had been promoted to the Senate last year after a long and useful career in the House. In his younger days he had served four years in the state legislature and four years on the bench. He is a veteran of the Spanish-American War, has been prominent in the Democratic National Committee, and much relied upon as a writer of party plat-



★ HAROLD L. ICKES, SECRETARY OF THE INTERIOR

forms. He has always believed in liberal tariff and trade policies, and by nature as well as through study and experience his views are broad and generous.

Mr. Hull knows his own mind, and he accepted the appointment only after conferences with Mr. Roosevelt to make sure that the new administration would have definite policies in accord with his convictions. His acquaintance with the leaders in both branches of Congress will help to prevent disagreements between the executive and legislative branches. This has a serious bearing upon imminent negotiations in the sphere of foreign policies. We are glad to publish an informal tribute to Mr. Hull from the pen of his close friend George Fort Milton, a brilliant publicist and editor.

There was no emergency that could justify the forcing of a Cabinet position upon any Democratic statesman, however distinguished and competent. Senator Carter Glass of Virginia succeeded Mr. McAdoo as Secretary of the Treasury in the Cabinet of Mr. Wilson. He has long been identified with legislation relating to our banking system and economic policies. But he holds a position of peculiar influence and authority in the Senate; and doubtless his duties there are more congenial than those of an executive position. Mr. Roosevelt respected Senator Glass's decision, knowing that his advice and coöperation will be invaluable as he continues to serve in the Senate.

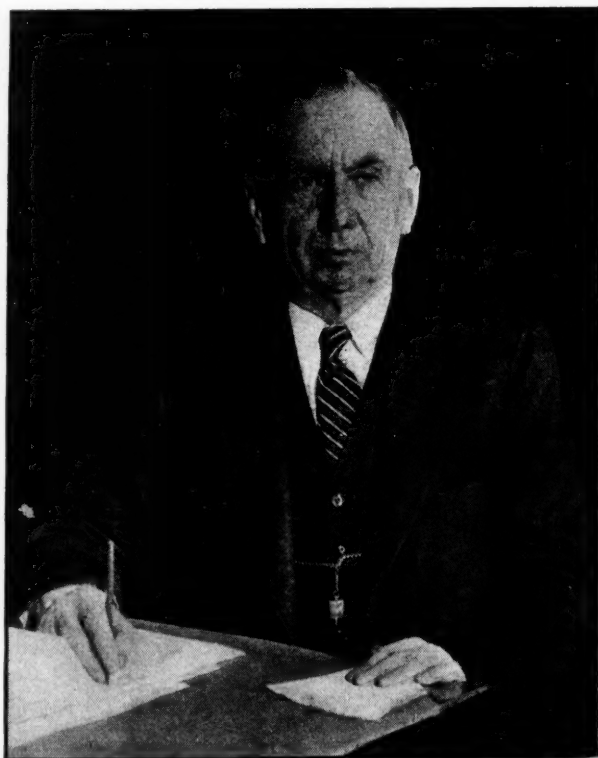
An experienced man of practical affairs, who is widely known and respected in the business world, has something of his own to contribute to the strength of a Cabinet group. The new Secretary of the Treasury is Mr. William H. Woodin, who is listed in the current reference books as a manufacturer. He is a Pennsylvanian by birth, and after an engineering education at Columbia University he made his way rapidly in the management of large enterprises. For a long time he has been identified with the manufacture of railroad

cars and locomotives, and with kindred industries.

Mr. Woodin has been a director of the Federal Reserve Bank of New York, and no stranger to problems of public finance. As it happens, he has for some years been a close personal friend of the new President. Many fellow-citizens are now glad to make his acquaintance as a versatile gentleman who has artistic tastes, collects coins, and composes music. That he had until recent years been a Republican is nothing to be apologized for. In the banking crisis of March he emerged at once as a strong executive, inspiring confidence.

The new Secretary of War is Hon. George Henry Dern, who was born in Nebraska sixty-one years ago and went to Utah to engage in mining enterprises when he left college in 1894. As a prominent citizen of that state in politics and in business, he became Governor in 1925 and in that position has made a notable record. Mr. Roosevelt as Governor of New York became well acquainted with him in the conferences that Governors now hold from year to year.

Hon. Claude Swanson, when appointed Secretary of the Navy, had been serving for sixteen years in the United States Senate. He graduated at Randolph-Macon College in 1885, earned a law degree at the University of Virginia, and went to Congress in 1893. He was elected Governor of Virginia in 1906 for four years, and then became Senator. Thus he enters the Cabinet after forty years of continuous service in high positions. Last year he spent some months at Geneva as a delegate to the Disarmament Conference. He has been ranking Democratic member of the Senate's Foreign Relations Committee. His experience makes him an especially valuable member of the Administration as an authority on foreign as well as domestic questions. Naval men are glad that Secretary Swanson believes in building our fleet up to what are known as "treaty limits." President Roosevelt himself served eight years



★ DANIEL C. ROPER, SECRETARY OF COMMERCE



in the Navy Department, and undoubtedly he and Mr. Swanson are in agreement as to present policies.

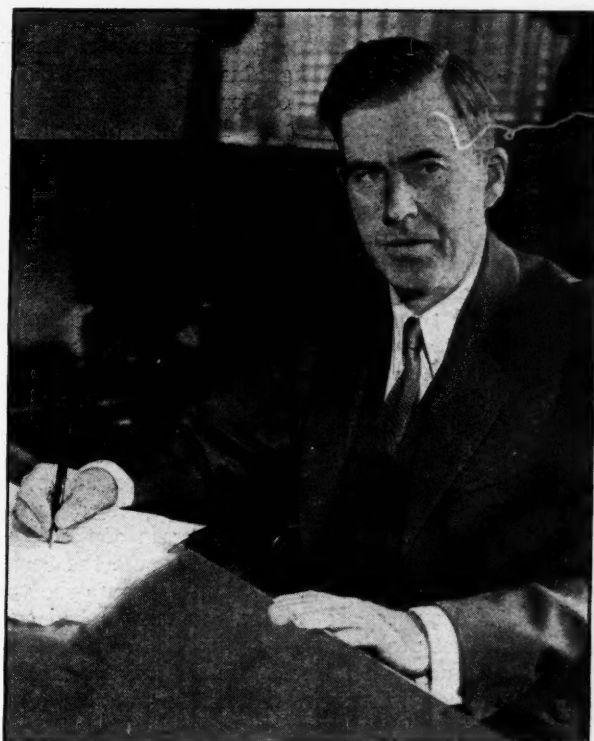
The new Secretary of Commerce is Hon. Daniel Calhoun Roper, a South Carolinian who was educated in North Carolina and who spent long years in various positions at Washington as an expert in different services and departments, especially those having to do with commerce and business. In Wilson's second administration he was vice-chairman of the Tariff Commission and Commissioner of Internal Revenue. He has been active in Democratic organization politics, is a trustee of educational institutions, and like all the members of this new Cabinet he has rank and standing as a scholar and a widely respected citizen.

**S**EVERAL OF OUR CITIES are like great principalities. Their affairs and conditions take rank in our national life with such perplexing issues of economic and social status as concern the agricultural populations that dominate Iowa and other western states. It would be hard to discover a more accomplished or more praiseworthy exponent of these metropolitan problems than Mr. Harold L. Ickes of Chicago, who becomes head of the Department of the Interior. As a young Progressive, Mr. Ickes took an active part under Theodore Roosevelt's leadership in the "Bull Moose" movement; and he was Illinois state manager of Senator Hiram Johnson's presidential campaign in 1924.

The Department in control of which Mr. Ickes succeeds Dr. Wilbur now includes the General Land Office, the Indian Bureau, the Office of Education, the Geological Survey, the Reclamation Bureau, the National Park Service and some minor agencies. Men of outstanding ability as specialists have been at the head of these offices and bureaus in recent years. The new Secretary as a citizen of intelligence and public spirit, and also of comprehensive grasp, will allow none of these national trusts to be demoralized by spoilsmen. Furthermore, the presidential regrouping of agencies is more likely to add than to subtract, in the case of the Interior Department.

The traditions of progressive republicanism are also exemplified in the Cabinet by Mr. Henry A. Wallace who succeeds Governor Hyde of Missouri as Secretary of Agriculture, and who at the age of forty-four is the youngest member of the Cabinet. Mr. Wallace has not risen through previous experience in politics and office holding. He has spent half his life as an agricultural editor and is accounted one of the foremost thinkers and writers among the Middle Western men who have been devoting themselves to the furtherance of projects for farm relief, and the return of prosperous times to the country-side. His grandfather Henry Wallace, affectionately known throughout the West as "Uncle Henry," founded *Wallace's Farmer* at Des Moines. President Theodore Roosevelt chose "Uncle Henry" along with Liberty Bailey of New York to head the famous Commission on Country Life.

The second Henry Wallace, who succeeded to the control of *Wallace's Farmer*, was Secretary of Agriculture in President Harding's administration. On his death in 1924 the third and present Henry succeeded as chief editor of *Wallace's Farmer*, with which in 1929 he merged the *Iowa Homestead*. He is a graduate of the Iowa State Agricultural College and a man of bold and pronounced views on farm markets, the reduction of surplus output of leading crops and products. Un-



★ HENRY A. WALLACE, SECRETARY OF AGRICULTURE

doubtedly he is a man after Franklin Roosevelt's own heart, as he brings fresh vigor and earnest purpose to the treatment of the most baffling of current problems, namely, the price level of agricultural commodities.

**T**HERE ARE SEVERAL OTHER executive posts, in addition to the ten so-called Cabinet places, that are of first rank in the estimation of President Roosevelt. One reason for keeping the ten in a distinct group lies in the fact that Congress has designated them in specified order as successors to the Presidency in case of the death of the President and Vice-President. For purposes of consultation in Cabinet meetings or otherwise, President Roosevelt is free to suit himself. In Great Britain the Ministry is a large executive group, and the Cabinet so-called is a much smaller one within the Ministry. The Prime Minister uses his own discretion to some extent in enlarging or diminishing the Cabinet group. It is well known that Mr. Roosevelt attaches the greatest possible importance to the handling of the farm situation. From the very first he had listed Mr. Henry Morgenthau, Jr., of New York, as a man who would have an important place in the administration, utilizing his experience as chairman of the State Agricultural Advisory Commission that aided Mr. Roosevelt during his Governorship.

Mr. Morgenthau will be intimately associated with Secretary Wallace; and he becomes Chairman of the Federal Farm Board. It was Mr. Roosevelt's intention to bring the Land Banks, the various farm credit agencies, and some other functions that are now scattered, into a unified system under the chairmanship of Mr. Morgenthau. These conceptions are altogether constructive, and it is believed that they can be put into effect with practical advantage.

President Roosevelt has done well to surround himself with appointees to various offices whom he has

known well in their previous positions. This remark applies conspicuously to the new Secretary of Labor, Miss Frances Perkins after graduating at Mount Holyoke College in 1902 continued her studies, and became a college instructor in sociology. But more than twenty years ago she entered upon official work in New York State, with special reference to the administration of factory and labor laws. She became a recognized authority on all modern movements having to do with the health and safety of women and children, and of other wage-earning groups. During the past four years she has held the post of New York State Industrial Commissioner, having held similar positions under Governor Smith in previous years.

The Department of Labor includes the Bureau of Labor Statistics, the Bureau of Immigration, the Children's Bureau, that of Naturalization, the U. S. Employment Service, the Housing Corporation and some other agencies. The fitness of this appointment is not to be questioned. The intelligent women of the country have reason to be gratified not because the Secretary of Labor is a woman, but rather because she was not excluded on the ground that no woman had ever held a Cabinet position.

The Attorney-General and the Postmaster-General are accorded positions in the Cabinet group. Mr. Roosevelt had secured the consent of Senator Thomas J. Walsh of Montana to take the Attorney-Generalship. Mr. Walsh's high reputation was nation-wide, and his selection had met with universal approval. His sudden death while hastening to attend the inauguration ceremonies was deeply regretted. On March 3 Mr. Roosevelt's secretary made the following statement: "Mr. Roosevelt had expected to announce today the selection of Homer S. Cummings of Connecticut to be Governor-General of the Philippines. Because of the untimely death of Senator Walsh, he has asked Mr. Cummings to assume the post of Attorney-General for a few weeks before going to the Philippines." Mr. Cummings is a Connecticut lawyer of high standing.

The new Postmaster General, Hon. James A. Farley

had made his way in New York politics with irrepressible self-confidence and with the kind of vigor that wins in the outdoor games that Farley enjoyed as a boy. He is only forty-four years of age, but steps from the Chairmanship of the Democratic National Committee to a Cabinet seat as Postmaster General, keeping his advisory responsibility as dispenser of patronage. This concession to party politics has long been customary; and since the appointive power of recent Presidents has been exercised with due regard for principles of integrity and efficiency, no one is complaining about Mr. Farley's methods except disappointed office-seekers.

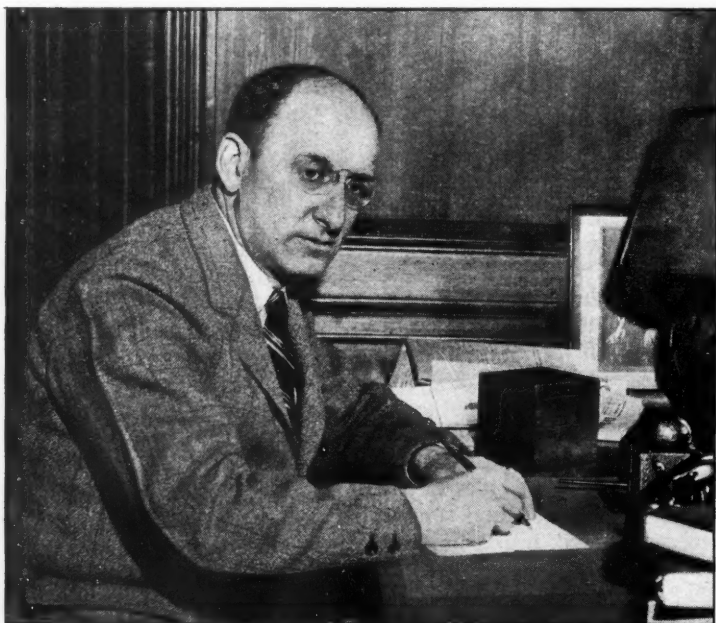
In the course of Mr. Farley's triumphant management of Governor Roosevelt's campaign for the nomination, the understanding and personal friendship between the two men was deepened. Meanwhile, statesmen, and politicians of all grades calling themselves Democrats, came to know and to admire this stalwart New York politician of Tammany training. Some day, perhaps, the post-office department will be run upon a non-political basis; but that reform is not on the list now marked "immediate and urgent".

**L**OOKING AT APPOINTMENTS through Mr. Roosevelt's eyes, the Director of the Budget ranks fully with the members of the Cabinet. Failure to balance the budget during the past three years has brought about a financial situation that cannot be further prolonged without disasters greater than any that we have thus far experienced. There must be a deep cut in expenditures, even to the extent of a billion dollars.

The new Director of the Budget who is not yet thirty-nine years of age, takes a foremost position in this critical time, first because he is a man of unusual ability and strong convictions, and second because he has the courage of his convictions, and never trims or hesitates. Hon. Lewis William Douglas was born in Arizona in 1894, graduated at Amherst College in 1916, pursued studies in metallurgy and geology, served brilliantly in the World War, was a teacher in the East for a year or two, and then spent six or seven years in business enterprises in Arizona. That state has only one seat in the House; and Mr. Douglas has been its member of Congress during the past six years. No man has been more frankly opposed than he to the abuses of the legislation that has swollen the total of appropriations for veterans to a billion dollars a year.

President Hoover approved highly of the services of Mr. Douglas last year as a member of the Economy Committee of the House. Together with Mr. Sherley of Kentucky and Mr. Roper, the new Director of the Budget has for some time past been at work upon the details of President Roosevelt's plan to reorganize the government services.

But for the banking emergency that made necessary the assembling of the new Congress five days after Inauguration, the extra session would probably have been called for the middle of April with governmental reorganization, and the budget program, as the most immediate and vital of President Roosevelt's measures. The sooner these issues are faced under Mr. Roosevelt's leadership, the more rapid will be the march of the nation toward the promised land of prosperity.



★ HENRY MORGENTHAU, JR., CHAIRMAN OF THE FEDERAL FARM BOARD



# CORDELL HULL

## Secretary of State

*A Famous Editor Eulogizes His  
Fellow Tennessean*

By  
GEORGE FORT MILTON

**Y**OU ARE QUITE right about my affectionate feeling for and admiration of Cordell Hull, and I hasten to answer your inquiries. Nearly every editor of experience becomes somewhat cynical—you may prefer the word realistic—about so-called statesmen. But I have known Cordell Hull for years, and have never found him concerned with private or selfish considerations. He has employed his abilities, which are of no ordinary quality, and his energy and determination, to master the intricacies of our Federal fiscal set-up. He has long studied the effect upon our society of our protective tariff system, and of our changing policies of raising and expending national revenues. In short, I consider him by all odds the ablest Democratic legislator of recent years, as regards the field of national finance.

Mr. Hull had rendered long service and made a high reputation in the House of Representatives, but he was a new member of the Senate, with long years ahead of him in that enviable post where his attainments and character had already given him unusual influence. Naturally, therefore, when he was first approached to take the Secretaryship he did not accept impulsively, but considered alternatives and consulted his friends. I am making no assertions and violating no confidences when I suggest that Mr. Hull in the very nature of the case would not have desired to leave the Senate, even for the highest place in the Cabinet, without a perfect understanding—in so far as things could be foreseen—regarding his new responsibilities.

He would wish such scope for his ability and experience in the office of Secretary of State as any of his predecessors have enjoyed. As a second consideration, he would feel that he must know that the new President was prepared to go forward on a well-developed program of foreign and domestic policies embracing many other points beside the negotiation of international debts—a topic that was so prominent during many weeks after the election. It is enough to say that before accepting the appointment Senator Hull



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visited the President-elect at Warm Springs. It was typical of both men that they should have expressed themselves to each other frankly and without reserve. That Senator Hull's acceptance was in consequence of a complete understanding between these two men is a reasonable inference.

Mr. Hull is not a diplomatist in the accepted sense of the word, but he is perhaps that better thing than a diplomatist, namely a man. He has a grasp of the fundamental economics of the international exchange of goods and services. That grasp is sufficiently firm not to be broken by any momentary plea of particular interests however powerful, or to be weakened by temporary situations however exigent.

Under his premiership I look with confidence to the carrying forward of a broad program in the field of international economic relations. I look for emphasis upon sound basic truths about goods, services, tariffs

● THE EDITOR of the *Chattanooga News*—author of a noteworthy *Life of Andrew Johnson*, and of a forthcoming biography of Stephen A. Douglas—writes to the Editor of this magazine about his intimate friend, the new Secretary of State



and financial realities. Also, I look for an insistence upon some intelligent program for domestic reconstruction. The interests of the community as a whole, rather than those of particular groups, will be urged and protected if Mr. Hull's broad vision is to be supported, as I am confident it will be.

The man himself is reassuring. He is a tall, solid, strong-faced man with iron gray hair rapidly turning grayer. He has a high forehead, a prominent nose, firm lips and a well-cleft chin. His eyes are blue-gray. His manner is just a trifle hesitant as occasionally he searches for a word, but the sincerity of his expression is obvious to any one who talks to him, and his thought is strong and substantial in its texture. His capacity for making fast personal friends and admirers is well developed. But his ability to indulge in the usual back-slapping arts of the politician is somewhat inadequate—a fact whereat I rejoice, but which causes some of the smaller fry of the political gentry to look at him a bit askance.

Judge Hull, as the State still calls him, was born in Pickett County, in Tennessee's Cumberland Mountains, on October 2, 1871. Thus he is now sixty-two years of age, and is physically sturdy and vigorous. He has made his way by hard labor and unremitting application. He went two years to a college at Lebanon, Ohio, then graduated from the Lebanon, Tennessee, Law School, began practicing in Selina in 1891, and soon embarked upon a political career. He was a soldier in the Spanish-American War, became a Judge of the Circuit Court of Tennessee, and was elected in due time to the seat in Congress that he was destined to hold for twenty years with the interruption of a single term due to the Harding landslide. While in the House, he framed the first federal income tax bill under the terms of the Sixteenth Amendment, and was known as the father of the income tax. For years a member of the Democratic National Committee, he was Chairman of that body from 1921 to 1924, during which time he performed miracles in clearing off the party's debt. In 1931 he went to the Senate and quickly took place in the leadership. His wife is a Virginian, and they have no children. They have lived at the Carlton Hotel in Washington and are frequent visitors at the home of Mrs. Hull's brother on the Virginia side of the Potomac near Washington.

Cordell Hull's appointment heralds an important step in the direction of that new deal which has been promised and is so greatly needed by our people. There will be real efforts visible to remove our foreign policies from the traditional political stage upon which they have always been pitched and make them relate directly to actual conditions—the throttling tariffs and the economic problems which are like wolves at the throats of all peoples. Great moments produce great men. Here we have a statesman with an extraordinary grasp of the very problems which, if the world is to escape collapse, must be uppermost in our international relationship.

Cordell Hull is a man of dignity and poise, a type this country would like to have represent it in the halls of the world. In all his career there has been no step which was not becoming to one destined to be Secretary of State of the United States. To my mind, America is fortunate to have in this high post this man of character, insight, and real consecration to the common good.



## FRANCES PERKINS

*A WOMAN enters the Cabinet, for the first time. But the duties of Secretary of Labor will not seem strange to her.*

By

MARLISE JOHNSTON

**T**HE SELECTION of Miss Perkins as Secretary of Labor was not a political gesture in compliment to women. It was a tribute to ability and achievement. More than that, it was an extremely logical choice. As head of the New York State Department of Labor since 1929, Miss Perkins had proved again and again her efficiency, her good sense, and her intelligence, to the satisfaction not merely of Governor Roosevelt, but of the people of the state and the country at large.

It is no mean job or idle test to be Industrial Commissioner of America's leading industrial state. New York employs in excess of a million more wage-earners than any other state, and it gives these workers better protection. Its laws governing workers' welfare are widely copied.

As an executive superintending 1800 workers in the department, Miss Perkins proved to be efficient and friendly. As a speaker urging the passage of desirable labor laws, she was patient, tactful, and fearless. As spokesman and worker for those who need her help, she is human, versatile, and untiring. She is a friend of organized labor and of unorganized labor; of wage-earner and employer. No radical, she bases her appeals for improvement on rationality; and she believes in the conference method of settling disputes.

She has done her work consistently well. From the time of her graduation from Mount Holyoke College in 1902, and her subsequent studies at the University of Pennsylvania and at Columbia, she has been busy acquiring practical knowledge of the various phases of sociology and the problems of the wage-earner and his relation to the welfare of society. She has a clear conception of working conditions gained from experience as well as observation.

In 1910, she spent a year examining cellar bakeries. What she discovered about cats in cake dough, soot in icing, and the hard life of bakers, she passed on to the Consumers' League of New York. This is an organization of retail purchasers who strive by their patronage to induce employers to improve working conditions. As a staff member, Miss Perkins helped to compile the White List—shops, factories, and stores whose work was done under conditions acceptable to the League.



Champlain Studios

#### THE NEW SECRETARY OF LABOR

Later, as executive secretary she was able to pass through the Legislature at Albany, the Fifty-four Hour Law, which prohibited the working of women more than fifty-four hours a week or more than nine hours a day. Her patience, ingenuity, and power of conciliation were employed overtime in those sessions at Albany, as she labored with hard-headed legislators to pass a bill they did not approve. But she won her fight.

Frances Perkins is an authority on fires. They have been her life-long study, a subject of gravest importance to her. The terror of them was impressed on her all too vividly in 1911, as she watched 146 girls burn to death in a high loft workshop. This was the famous Triangle Shirtwaist fire in New York City. An exit door that should have been open was locked. The tragedy was scandalous as well as ghastly. The State Factory Commission was started, and Miss Perkins was made a member of it. She studied factory construction and talked with architects, contractors, insurance men, and employers. To her, and others like her, we owe the laws that now require proper protection, fire drills, and safety devices.

Al Smith, as Governor of New York in 1923, appointed Miss Perkins to membership on the State Industrial Board. Six years later the succeeding governor, Franklin Roosevelt, promoted her to be Industrial Commissioner, or head of the Labor Department. As the depression commissioner, she was forced to be chiefly interested in unemployment. Her statistics in this field were used by firms throughout the state as the most authentic indices of business conditions. The New York Employment Service, a state-wide clearing house for job-seekers, was under her jurisdiction. Her department collected more than \$200,000 in wage claims in 1932, an increase of \$80,000 over 1931. She created the division of Junior Jobs, a placement service for

children under seventeen. She was also vitally interested and active in workmen's compensation, industrial hygiene, and the minimum wage law.

Of her many outside interests and affiliations, the Maternity Center is perhaps her pet. She was its first executive secretary and practically organized it, in 1918. This society is devoted to reducing the death rate among mothers, the United States unfortunately having the poorest record of any civilized country. The average childbirth death rate, as compiled by the Metropolitan Life Insurance Company, is 6.5 per thousand. That is, thirteen mothers die for every two thousand live babies born. The mortality among Maternity Center mothers, however, is only 2.4. The Center trains nurses from all over the country, it conducts clinics, and in general makes the world a safer place for mothers. Miss Perkins wrote its by-laws and its constitution, and up to the time she left for Washington she maintained an active interest in its work as honorary vice-president. She is also a sympathetic member of the American Child Hygiene Association and of many other organizations which work for the improvement of society.

Frances Perkins' private life is private in fact as well as name. It is strictly her own business, and none but her intimate friends know much about it. She will discuss her work at length and in detail, but she quite definitely will not talk about her clothes, her favorite foods, or her home. She will never seize the spotlight. She does not like a superficial society life. She does enjoy art exhibitions and her own personal friends. She has had a useful public life and (as she admits) a happy personal one. She was married in 1913 to Paul Wilson. They have one daughter, Susanna Winslow Perkins Wilson.

The new Secretary of Labor is a small, womanly person; talented, humorous, and clever. Social workers as a type are efficient but hardened. She is sympathetic without being sentimental. An excellent speaker, she crowds a great deal into a few minutes and has a way with statistics which give them life and meaning. She writes well on such varied subjects as the fire hazards created by the careless way women smoke, the relation of society to industry, and the ultimate cost of sweatshop dresses. She is a good fighter with tenacity of purpose. She is fair and honest, displaying few of the whimsies and prejudices usually attributed to her sex.

As the first woman Cabinet member, she will make an excellent Secretary of Labor. She plans to travel extensively and to make over the methods of gathering statistics on unemployment. She favors a program of public works to provide jobs. She has studied unemployment insurance in detail, spending a summer in England to observe the features of the system there. As a practical policy, she thinks the burden of unemployment insurance should rest upon the employer.

A close student of life in this machine age, Miss Perkins has stressed the educative possibilities inherent in the manipulation of machines. This is along the same principles taught by progressive schools where children are helped to think by learning to work with their hands. Part of her philosophy is that people should be happy in their work, and not have to consider it merely a means of making money. She may be able to interpret for us in a new way the advantages of a mechanistic world. To quote her own words: "I consider the great mission of the Labor Department . . . to be the prevention of robots".

# Life Insurance Rides the Storm

By HOWARD FLORANCE

**R**OCK OF GIBRALTAR. Emblem of a single great life insurance company, it is appropriately descriptive of all the major ones. This fourth and worst year of the most widespread economic depression the modern world has ever known finds life insurance about as much embarrassed as the towering rock of Gibraltar during a storm that sweeps over the Mediterranean.

It is absurd to speak in generalities in times like these, and the reader may find the name of a life insurance company in the list of those receiving government first-aid. Over a long period of years he will rarely see a failure among life companies. There are more than three hundred companies engaged in the business of guaranteeing, in exchange for fixed premiums, a definite sum of money either for one's own declining years or for one's dependents. This article concerns itself only with the larger institutions, forty-four of which handle four-fifths of the so-called legal reserve business. Reference will be made to three companies especially, as illustrative: (1) the Metropolitan, largest of all; (2) the New York Life, largest in the so-called "ordinary" field; and (3) Northwestern Mutual, largest company in the West.

Mr. Average Man's insurance policy is his principal investment; in many instances it is his only investment. He may feel but remotely interested in declining railroad revenues and falling commodity prices, in abandoned farms and vacant buildings, in shrinking tax revenues, or even in distant bank failures. But nearly a century of experience had demonstrated that the reserves lying back of his life insurance policy were best invested in those very directions—in railroad bonds, in mortgages on farms and city real estate, in government bonds, and in bank deposits.

Three years of depression had served to prove the wisdom of such an investment policy. This fourth year tests the reserves that have been built up for an emergency that might come from a widespread epidemic or a major catastrophe, and that actually has made its appearance by way of continued business and financial strain.

No form of business activity enjoyed a larger measure of growth, in the late era of prosperity, than life insurance. New business in the years before the war aggregated something less than 3 billion dollars annually (for the forty-four United States companies who carry four-fifths of the total insurance outstanding). It grew to 6 billions in 1921, and to 12 billions in 1928, 1929, and 1930. Thereafter new business declined, with the year



Publishers' Photo Service.

BRITAIN'S fortress of Gibraltar, commanding the gateway between the Atlantic and the Mediterranean. Symbol of dignity, stability, and strength.

1932 showing about 9 billions—still three times the pre-war average. Not a bad record.

It has long been the pride of our life-insurance fraternity that its reserves have not been idle. Income from the investment of reserve funds helps to keep premiums low, and especially makes possible the crediting of dividends to policy-holders. Thus the New York Life Insurance Company paid 72 million dollars in death claims last year, and paid 61 millions in dividends to policy-holders. More than that, the investment of these reserves has helped in extraordinary fashion to promote the welfare of the country.

Insurance loans to railroads—that is, their purchases of high-grade railroad bonds—approximate 3 billion dollars. Every passenger or shipper is indebted to the insurance industry in some measure for railroad station, roadbed, or rolling-stock. Similarly the newer public utilities have been aided by 2 billions of insurance money, for furnishing us with such things as light, heat, power, and means of communication. The American farmer, backbone of the nation, has been loaned 1¼ billions out of insurance reserves—the much-discussed farm mortgage—with which to carry-on under conditions that promised less labor in the field and more comfort in the house. Our white-collar office worker of the city and his neighbor whose job is in the factory both are helped with insurance money to own their own homes. Public improvements everywhere—good roads and water systems, for example—are financed by these custodians of accumulated reserves. They are large owners of Liberty Bonds that had been purchased in a previous national emergency.

In addition to these public benefits from the wise



investment of life insurance funds, it is of the greatest importance to the policy-holder himself that the reserves shall earn interest. Otherwise the cost of insurance would be prohibitive.

Investments are made with a twofold aim: safety of principal and assurance of income. The various states prescribe how life insurance companies may invest their money. For example, the New York law prohibits the purchase of common stocks but allows investment in the preferred or guaranteed stock of a company that has a five-year record of earning 4 per cent. on *all* of its capital stock. Bonds bought by insurance companies are always of the best grade; their loans on farms and city buildings are similarly secured by first mortgages only.

That an insurance company may have little concern with current market values is indicated by a gilt-edge security known as U. S. Government 3s, issued in 1931 and due in 1955. For insurance funds they represent the highest form of safety as to both principal and interest. But it happened that market conditions in general forced the price of that bond down below 83 within three months from its issuance by the Government at par in September, 1931. Were the reserves of an insurance company which bought such bonds endangered by that shrinkage in market value? It could look forward with confidence to the stated 3 per cent. yield and to a principal unimpaired at maturity. As a matter of fact those U. S. Government 3s sold at 98 last month.

Our insurance executives and directors have such things in mind when they make and review their investments. When railroad revenues began to decline there was no mad rush to unload railroad bonds upon a market already shaky. Insurance investors remained cool. This was no ostrich-like burying of the head in sand, so that eyes would not see and ears would not hear; it was rather a feeling of confidence in principles applied when the investment was originally made. The Northwestern Mutual Life Insurance Company in its excellent annual report tells us that in 1932 it collected 98½ per cent. of all interest receivable on its bond investments.

We hear much these days of mortgage foreclosures (particularly of farm mortgage foreclosures, because the

city dweller who loses his home is less articulate). It is estimated that the American farmers' indebtedness—of the kind for which they have pledged their farms as security—totals 9 billion dollars. Almost a fifth of this represents money advanced by insurance companies. That is to say, life insurance companies hold farm mortgages, as an investment, to a value exceeding \$1,700,000,000.

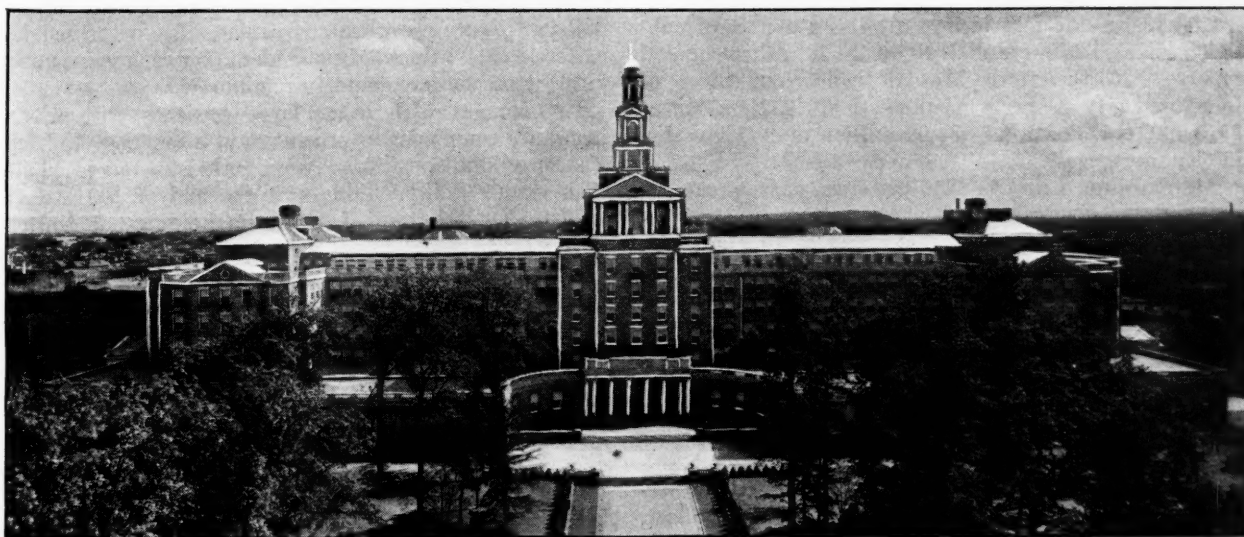
A farmer who is worth his oats has no thought of repudiating this debt. He does in numerous instances ask for a moratorium, a breathing spell during this period of low income. This the insurance companies are increasingly ready to grant, so long as those farmers who are able continue to meet their interest payments.

The New York Life Insurance Company lists among its assets \$22,451,000 invested in first mortgages on farms. These farm loans represent 1.14 per cent. of its total assets. Does the policy-holder need to worry about the ultimate safety of this form of investment? The answer might be that the New York Life could tear up, burn, or otherwise destroy every one of its farm mortgages without endangering its solvency. But the executives and directors of that company (and other insurance institutions) are responsible under the law; they could be sent to jail for mismanagement of their trust, for failure to protect the interests of policyholders. So the insurance men will continue to have faith in the American farmer.

**T**HESE INSURANCE MORTGAGES represent the life savings of millions of small investors who have put their meager surplus into insurance policies. One poor man has loaned another poor man some money. The insurance company may be asked to show consideration to the mortgage-holder, but its first obligation is to the policy-holder.

The Metropolitan Life Insurance Company, largest of all our insurance institutions, reports that it has 4.38 per cent. of its assets—which exceed 3¾ billion dollars—invested in farm mortgages. This means that those mortgages represent only 160 million dollars of its total assets of 3769 millions.

Interesting sidelights upon farm mortgages and foreclosures are found in the annual report of Northwestern



AETNA LIFE'S new home office. It dominates a section of Hartford, Connecticut, which might well be called the Insurance City.

Mutual, already mentioned. This company has its main office in Milwaukee, much closer to the farmer of the Mid West than insurance companies whose headquarters are in New York or Newark or Hartford. In its career of seventy-five years it has weathered many crises, and its farm-mortgage principles are based on experience. During 1873-'80, for example, foreclosures increased its ownership of real estate from  $\frac{1}{4}$  of 1 per cent. to approximately 9 per cent. of its total assets. Twenty years later, 1893-'99, ownership temporarily increased from  $\frac{1}{2}$  of 1 per cent. to nearly 3 per cent.

Northwestern (we continue to use it as an example because its statement is exceptionally informing) never lends more than two-fifths of the appraised value of farm land plus one-fifth of the value of the buildings. Further, it never lends more than \$100 per acre. Its farm loans actually average \$37.63 per acre including improvements thereon. At 6 per cent. this means that the farmer needs to set aside only \$2.25 per acre to pay interest charges. When the year ended Northwestern held 28,824 farm mortgages, aggregating 205 million dollars. It had taken over the ownership of 1600 farms with an asset value of 14 million dollars. At the end of three years of hard times, therefore,  $6\frac{1}{2}$  per cent. of its investment in farm real estate was sufficiently in default to require foreclosure; but the company had merely changed its status from lender to owner, and the farms were 98 per cent. leased to desirable tenants. During 1931 and 1932 it sold 233 foreclosed farms at a slight profit above their book value of \$1,320,000.

The reader will not need to be reminded here that this article concerns itself wholly with the status of life insurance investments, rather than with the related problem of leniency toward borrowers in a period of hard times.

City real-estate foreclosures are less a matter of public curiosity, and more difficult to trace in these annual reports. Northwestern Mutual owned one piece of foreclosed city property at the end of 1932, valued at \$323,000, out of a total of 192 million dollars invested in city mortgages.

Metropolitan Life has  $34\frac{1}{2}$  per cent. of its assets invested in city mortgages, and only  $2\frac{3}{4}$  per cent. invested in the ownership of real estate of all kinds—including farms, home office buildings, and foreclosed city properties. The Metropolitan has assets of nearly four thousand million dollars, including a surplus of 240 millions and a "contingency reserve" of 43 millions.

New York Life has nearly 27 per cent. of its assets invested in mortgages on city properties (529 million dollars) and  $2\frac{1}{2}$  per cent. (48 millions) invested in the ownership of real estate of all kinds—home office buildings and foreclosed farm and city properties. Its ownership status increased during 1932 by 10 million dollars, indicating the extent of foreclosures upon farms and city real estate. Its mortgages declined during the same

year by 21 millions, indicating the transfer of the 10 million dollars referred to and a readjustment downward (or payment in full) of the principal of other mortgages held. This company has assets of approximately 2 billion dollars, the largest insurance institution in the United States which does not write industrial (weekly payment) or group insurance policies.

Strange to say, hard times themselves bring to the forefront a very safe form of investment for the funds of insurance companies; that is, loans to policy-holders. What could be safer than to lend a man against the cash value of his own policy? If he is unable to repay the loan the amount is deducted from what is due at the termination of the policy. If he is unable to pay interest, that sum is added each year to the principal, so long as the total indebtedness does not exceed the cash value. If it does the policy will be terminated. There can be no risk.

Thus the New York Life Insurance Company increased its loans to policy-holders by 40 million during 1932. Its policy loans outstanding were 420 millions at the year-end, representing 21 per cent. of its total assets. The Metropolitan has sim-

ilarly invested  $12\frac{1}{2}$  per cent. of its assets, which means policy loans of 476 millions. Northwestern increased its policy loans during 1932 by 70 million dollars, to a total of 236 millions or 23 per cent. of all its assets. Your insurance company is a friend in need.

An unfortunate phase of this matter of loans is the subsequent temptation by the insured to allow his policy to lapse because his present equity in it is decreased. Unfortunately, also, it has opened the door to the insurance solicitor who seeks to persuade you to drop the old policy and take out a new one, possibly for a smaller amount and in another company. Thus the third year of depression, which brought new business of 9 billion dollars to our insurance companies, also witnessed an extraordinary volume of surrenders (for cash value) and lapses (for non-payment of premiums).

In common with other large business enterprises, insurance companies in general show a tendency to keep a strong liquid position. New York Life increased its cash from 9 million dollars at the end of 1931 to 27 millions at the close of 1932; its holdings of United States Government bonds were increased by 8 millions.

There is no secret about the safety of life insurance reserves, no God-given wisdom on the part of management. It is the result of conservative principles which have stood the test of time. First, choose the investment wisely. Second, diversify the investment. Third, build up a reserve sufficient for any emergency. Fourth, create a special extra reserve for a multiplicity of emergencies.

So we come to the end of our story with a renewed belief that our great insurance companies stand firm as a rock in this period of storm and strain. Look over the annual statement of your own insurance company!

#### SOME LARGE INSURANCE COMPANIES

(Assets, December 31, 1932)

Metropolitan.....	\$3,769,372,000
Prudential.....	2,773,769,000
New York.....	1,974,076,000
Equitable.....	1,471,697,000
Mutual.....	1,127,213,000
Northwestern.....	996,003,000
Travelers.....	674,492,000
John Hancock.....	639,455,000
Mutual Benefit.....	590,000,000*
Penn Mutual.....	496,000,000*
Massachusetts Mutual.	449,621,000
Aetna.....	446,603,000
Union Central.....	335,000,000*
New England Mutual.	268,000,000*
Provident Mutual.....	261,387,000
Pacific Mutual.....	193,913,000
Phoenix Mutual.....	166,025,000

\* 1931 figures.

# Coal Hurdles the Anti-Trust Law

By CHARLES E. STUART

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A SUPREME COURT DECISION may mark the beginning of a new economic era. If a new and wise interpretation of the Sherman Anti-Trust Law should relieve many industries from the distress of enforced cut-throat competition, the country should benefit greatly.

▼ ▼

**T**O ITS OWN intense surprise, the soft coal industry has hurdled one of the barriers set for it by the Sherman Anti-Trust Law.

Instead of being compelled to endure all of the destructive forces of cut-throat competition, which have been steadily driving it toward bankruptcy during the past few years, it suddenly finds itself free, on the authority of no less a body than the United States Supreme Court, to take steps to mitigate some of the worst of these evils.

Obviously, permission thus granted the soft coal industry must be extended to many, if not all, other industries. This means a radical change in our present business methods and policies, and eventually, unless all signs fail, a complete revolution in our industrial system. In other words, March 13, 1933 (the date of the Supreme Court's decision) seems destined to go down in history as marking the beginning of a new economic era in this country.

The decision in question was rendered in connection with the famous case of Appalachian Coals, Inc., which was discussed at some length by the writer in the December issue of REVIEW OF REVIEWS.

To review the situation briefly, the soft coal industry has been harassed for years by drastic and uncontrollable price cutting. Conditions have become so bad that most of the coal now being marketed is sold below cost of its production, with consequent distress to management, labor, and investor, inability to pay taxes, and injury to all other business due to the loss of buying power on the part of this great industry.

To remedy these conditions (which are being shared by many another industry) the soft coal operators devised a plan whereby the coal produced by a number of the producers in each of the 21 districts into which the country is divided was to be sold by district selling agencies. The chief advantages to be gained by this plan are: to lessen duplication of selling effort and cost of selling; to eliminate destructive competition between agencies selling the same coal in the same market; to avoid such trade evils as "distress" coal which must be sold at any obtainable price; and to prevent wide price fluctuations.

The Government, seeing in this plan a means of sustaining prices by the coöperative action of competitors, promptly brought suit against the first of the district

selling agencies to be formed—Appalachian Coals, Inc.—and secured an injunction against it in a U. S. District Court. The case then went to the Supreme Court, which, most unexpectedly, ruled that the proposed plan does not violate the Sherman Anti-Trust Act.

States Chief Justice Hughes, who wrote the opinion, "A coöperative enterprise, otherwise free from objection, which carries with it no monopolistic menace, is not to be condemned as an undue restraint merely because it may effect a change in market conditions, where the change would be in mitigation of recognized evils and would not impair, but rather foster, fair competitive opportunities."

Note that word "fair". If a layman may interpret a legal opinion, the Supreme Court appears to have laid down the principle that when competition forces prices down to a point where an industry is in ruin, such competition is unfair and the industry as a whole is justified in developing plans to combat it, provided the plans carry with them no monopolistic menace. Cut-throat competition has, therefore, been dethroned as an American ideal.

As other industries will doubtless join the soft coal industry in endeavoring to pull themselves out of the slough of despond by virtue of this ruling, we should soon see a number of coöperative enterprises launched, the net result of which should be for the public good.

Is this process going to end with the establishment of coöperative selling agencies? Probably not. If industry is once permitted to improve its efficiency by means of intelligent planning, it will seek greater and greater latitude in this direction, since the possibilities through planning are limitless.

**B**UT AS THE SUPREME COURT recognizes in the present opinion, the Government is responsible for preventing abuse of power under these circumstances. Hence as industrial planning grows, this governmental responsibility will take the form of machinery for prohibiting unfair operation of these plans, and likewise in coöperating with industry in the rational development and application of plans.

If we approach this situation in the belief that the business man's sole duty is to make as much money for himself as possible and that any activity on the part of the government in business is essentially vicious, we are headed either for chaos worse than that through which we are now struggling, or for some deadening form of socialism.

But if we take the more modern view that intelligent planning is superior to the unrestricted interplay of blind economic forces, that business is a social service, and that the true function of government is to aid this service, we shall be able to build for our people enduring prosperity without the sacrifice of individual initiative and the rewards due to individual ability, energy and enterprise.



# The Family Wage

By LOTHROP STODDARD

▼ ▼  
A LEADING WRITER on race problems and international politics has turned his attention to practical sociology in this eminently sensible European wage study.  
▼ ▼

THE FOURTH WINTER of the great depression has past. And as the cold wanes, so does discontent. And yet to unemployment are added widespread wage-cuts. Indeed both wages and salaries are being summarily docked. Nearly everyone, from day laborers to bank presidents, is being deflated. That is a process nobody likes. So the chorus of dissatisfaction rings sharp on the nipping air.

We Americans are not passive folk. When times are out of joint, we do not just sit down and sulk; we bestir ourselves to try and set them right. Hence, our nationwide grouch is coupled with a nationwide inquiry. On every hand arises the insistent query: "What can we do about it?" The first result of this is a multiplicity of plans. Planning, indeed, seems to have become the national hobby—the logical successor to miniature golf.

Now, curiously enough, in current discussions I have nowhere seen specifically mentioned an idea which, abroad, is in widespread operation. This idea, in one form or another, is today being applied in lands as far apart as Australia and Sweden. When our Department of Labor made a worldwide investigation of the subject some years ago, it found the general principle underlying the project to be active in no less than 22 nations. So widespread a method surely merits our consideration. It is, therefore, here described; not in any sense as a magic cure-all for our current troubles but as something which may be usefully woven into our complex economic fabric. And this something, though variously labelled, may best be termed: *The Family Wage*.

We hear much, these days, of "living" wages. But what, we may ask, is a "living wage"—or, indeed, a "living salary"? For the white collar worker is most emphatically in the picture, now that street-cleaners are better paid than many school-teachers, while a plumber gets what, to the average clerk or small shopkeeper, seems a princely remuneration.

The more we study the matter, the harder it seems to strike a just balance. For, obviously, a wage ample for the single man or woman would be pitifully inadequate for a widow with five small children or for a man not only blessed with wife and progeny, but also burdened by invalid parents and some destitute "in-laws" for good measure. Here in America we deem such hard cases acts of Providence, to be alleviated by public poor relief or private charity. But elsewhere men remedy them in more constructive fashion.

The problem seems first to have been directly tackled

in Australia—that laboratory of interesting social experiments, some of which have worked well while others, however meritorious, have turned out to be too costly for sustained national prosperity. Australia has rightly been called "the workingman's paradise." There labor is practically 100 per cent. organized, and the powerful trades-unions have put through a program of advanced social legislation.

One of Australian labor's first demands was for "living" wages. Accordingly, about a generation ago, a Minimum Wage Law was placed upon the Commonwealth's statute-books. This law aimed to assure to every wage-earner a minimum of subsistence somewhat above the bare poverty-line. Even the rawest and most unskilled laborer was to receive a wage sufficient to buy the necessities of life. Government wage-boards were set up, composed of qualified experts who analyzed living-costs in basic matters like food, clothing, and shelter. On those primary factors, they fixed minimum-wage scales which all employers must pay.

The passage of the Minimum Wage Law was hailed by labor as being next door to the millennium. But joy quickly abated when it was discovered how hard it was to frame wage-schedules which would remedy most cases of abject poverty without imposing burdens on industry too heavy to be borne. The wide range of needs in individual cases became glaringly obvious. A wage which would keep a young unmarried man or woman almost in luxury would condemn many a large-family man to semi-starvation. Furthermore, employers made no secret of their intention to discriminate against the large-family man, who thus found himself faced with the dreary prospect of being unable to get work at all.

ORGANIZED LABOR's answer to these difficulties was to set wage-schedules so high that most of the hard cases would be provided for. Specifically, labor proposed that every worker, married or unmarried, be paid a wage sufficient to maintain a family of five—himself, a wife, and three children. This proposal, however, evoked heated protests from the employers, who claimed that such schedules would impose an impossible wages-bill and would compel most of them either to go out of business or into bankruptcy.

The British, whether at home or in their dominions, have one excellent political habit. When a problem arises on which public opinion is stubbornly deadlocked, the government usually appoints a royal commission to look into the matter. This commission, composed of eminently fairminded persons, clothed with ample powers and given plenty of time, makes a thorough investigation and then reports to Parliament. Its published findings constitute a mine of dependable information which helps markedly to crystallize an intelligent public opinion on the issue.

In Australia more than one such commission has studied the vexatious questions arising out of the Mini-

imum Wage Law. And it was in the course of those investigations that the idea of the *Family Wage* took concrete shape. Several highly significant facts were discovered. First of all, it was clearly shown that industry could not possibly bear a universal minimum wage based upon labor's estimate of a "standard family" of five persons. But when labor leaders asked indignantly how it was that a prosperous young country like Australia could not stand this charge, the answer came back that this was not the Australian worker's "standard family." Statistics proved that so many workers were unmarried, and so many married workers had few or no children, that the working-class family averaged far smaller than had been theoretically assumed. Specifically: Australia's approximately 1,000,000 male workers had collectively only about 900,000 children under 14 years of age, instead of the 3,000,000 that labor leaders had asserted must be housed, fed, and clothed. No wonder that Australian industry could not support the "standard family" wage, since this would have meant supporting over 2,000,000 non-existent children, to say nothing of 200,000 to 300,000 hypothetical wives!

Having disposed of this basic fallacy, the way was clear for intelligent consideration of a flexible Family Wage adjusted to individual needs. Yet, though a system of family allowances was adopted by the Australian government for its civil service, the Family Wage idea has not been extended to Australian private industry. The reason is that neither labor nor capital have been ready to make the required adjustments. Organized labor in Australia sticks rigidly to flat-rate wage-scales, regardless of individual differences in age, skill, or domestic responsibilities. On the other hand Australian employers, feeling themselves on the defensive in the face of labor's great political power, fear innovations and stolidly oppose changes which, whatever their ostensible ends, might be twisted by labor lobbies to capital's further disadvantage. The upshot has been a compromise. Minimum wage schedules are estimated on the "standard family" basis, but the actual rates are fixed at figures much lower than labor demands. Thus in Australia, as in America, the individual worker receives wages based, not on his individual needs, but on flat-rates which favor the unmarried or childless worker and which bear hard on the large-family man.

**I**T IS IN EUROPE that the Family Wage has been tried out. In fact nearly every European country has experimented along this line, and the experiments are both varied and interesting. The war forced the pace. Faced with appalling problems through rapidly rising living-costs and wildly fluctuating currencies, the European nations had to do something toward stabilizing wages and salaries, or face industrial collapse and social revolution. So glaring were individual inequalities under flat-rate wages and so pitiful the distress of the neediest cases that the Family Wage made a highly attractive appeal.

The idea was first applied in the government services. Here, of course, the problem is relatively simple. The state being the sole employer, no competitors can force discrimination between married and unmarried employees. Although methods of government family allowances differ from country to country, they are all reckoned on the basis of family responsibilities. A common form is a basic wage to an unmarried or child-

less employee, supplemented by salary increases for each dependent child. Belgium, France, and Germany are the countries in which the Family Wage has been most developed in the government services.

Much more significant is the way the Family Wage has been applied to private industry. In Europe employers are more closely organized than with us, while the absence of anti-trust laws in Europe has made possible the formation of great industrial syndicates and those colossal trusts known in Germany as *kartells*. The road was thus open for the drawing up of employers' agreements establishing the Family Wage system throughout an entire industry.

The chief obstacle to the establishment of the Family Wage in the business world is lack of effective solidarity on the part of capital. For, obviously, even a small minority of employers ruthlessly discriminating against workers with dependents could undercut all the other employers who made no such discriminations but paid wages in accordance with family needs. The manner in which European employers have maintained a solid front and put temptation out of the way of their less scrupulous fellows is by creating equalization funds. All employers in a given industry contribute to their particular fund according to the number of their workmen. And from this fund are paid all family allowances in excess of standard minimum-wage scales applicable alike to married and unmarried employees.

**H**ERE IS HOW IT WORKS: a laborer applies for a job at a factory and is inscribed on its payroll as, say, a married man with three dependent children. His weekly pay envelope is reckoned as follows: \$15, paid him as the minimum wage, which he would draw even though single; \$5, as an allowance for his wife; and \$2 for each of his children. His family allowances would thus amount to \$11; and these, added to his basic wage, would bring his total weekly pay up to \$26. The \$15 basic wage would be paid him out of the factory's treasury; the \$11 in family allowances would come to him from the industry's equalization fund.

So far as its mechanics are concerned, the Family Wage system in Europe has functioned smoothly. Best developed in Germany and Sweden, it operates today in thousands of plants employing millions of workers. Indeed, here and there, it has been extended to agricultural labor—though in this field family allowances are often paid, not in cash, but in kind.

How does all this affect us? Should the Family Wage be applied to America? And if so, to what extent? As yet, the idea has not even reached the public discussion stage; certainly it is nowhere featured in the news of the day. Naturally re-adjustments would have to be made, and would differ markedly in different lines of business. For stable, progressive industries, re-adjustment would be comparatively easy and might well result in sizable net savings through such factors as avoidance of strikes and lessened labor turnover. On the other hand depressed or sweated industries might have a hard time of it, because even today they are not paying a living wage and keep going only by exploiting the health of their workers—ultimately throwing them on the industrial scrap-heap to be cared for by poor relief or charity. In the long run, however, it would be no real loss to the country if such industries were compelled to reorganize or go out of business. Surely, in these times, Americans can ill afford to ignore the Family Wage.

# English in 850 Words

Basic English is an International Language Now in Use

By RICHARDSON WOOD

**B**ASIC ENGLISH is the English language in 850 words, not taking into account special names (such as those of persons and places), words used in special fields, and words which are used internationally such as "hotel" and "telephone". The English language, as it is given in the New Oxford Dictionary, has over 400,000 words; and the normal man makes use of between 7,000 and 20,000 of these. As great a number as 50,000 may be necessary for reading a newspaper.

Basic English is *not* Pidgin English. It is good, straightforward English from which everything unnecessary has been cut out. A number of Shakespeare's lines are in Basic or near-Basic. You may go through page after page of Basic English without being conscious of anything strange. In English we may say: "He descended the gang-plank". In Basic one says: "He got off the boat." Basic English is the work of C. K. Ogden of Magdalene College, Cambridge, in England.

For those of us whose natural language is English, Basic English would probably be a good training in the art of making thought clear to ourselves and to others. But we are able to get on without it, and probably will. We have knowledge of it now for reading purposes, and when it is used by others we will be able to get the sense of what is said. But we will only go to the trouble of talking and writing it if we have some special need to do so. There is a need, however, for an international language and for a fixed international form in science, engineering, trade, and all branches of business.

For trade and political purposes an international language is clearly necessary. Things could be done more quickly and with less trouble. Shortwave radio is about to put all countries in touch with one another. To-day a working man in Stuttgart, by touching a button on his radio apparatus, may get voices from Oslo, Warsaw, Paris, Rome, or Madrid. Tomorrow we may be doing the same. In what language would a truly international talk be given? If it is made in an international language of the schoolroom, such as Esperanto, only a very small number will get the sense or even make an attempt to do so. If it is made in normal English, almost 500,000,000 will get some idea of what has been said—but the rest will be quite out of the picture. If it is made in Basic English, the same 500,000,000 will still get the sense, while the rest will be in a position to get an idea of what it is all about.

What is true of radio, is true in a lesser degree of the talking pictures. It is quite possible that radio, by the use of Basic English, might be a help to the talking pictures in their attempt to get back something of the position which was taken from them when sound-recording apparatus took its place by the side of the camera. The hard-working actors will have to go to school again. They may take comfort from the thought that

of the 1,800,000,000 persons on earth, one-third have a knowledge of English, while another third are attempting to get that knowledge.

The need of the sciences and the trades for an international language, which is fixed for all, is more readily seen. The signs used in mathematics and engineering designs will be equally clear to experts in Berlin, Bagdad, or Boston. But there is no agreement about the notes and words which go with them. For this reason it is frequently hard for a man to be certain about what another worker in his field, even if he is of the same country and language, is attempting to get across.

The uses of Basic English, and a complete teaching system, are being worked out under Mr. Ogden's direction by the Orthological Institute, of Cambridge, England. A great interest has been taken in Basic English by persons who are politically important, and by the heads of education and science organizations in a number of different countries. The Japanese, frequently quicker to take up a good thing produced by us than we are ourselves, have now got out a paper in Basic English.

For those who are good at learning by ear, the complete Basic system has been put on six folding gramophone records. With the help of a simple apparatus which may be fixed on to any gramophone, any part of a record may be played again and again till the learner has got it into his head.

**T**HE BASIC ENGLISH library is chiefly in the form of small books which will go in the pocket. These books are put out under Mr. Ogden's direction by the Orthological Institute. "Basic English" is an account of the language. "Debabelization" puts forward the arguments for such a language. "Brighter Basic" gives examples for the Basic talker, and gives an idea of the elastic quality of the language. In "International Talks" the material which was put into Basic is printed opposite the Basic form of it. There is a small "Basic Dictionary" in which the Basic way round common English words not in Basic is given. Inside the cover of every one of these books there is a small piece of paper on one side of which are clearly printed all the words in Basic English, with an outline of the rules.

Mr. Ogden is in a position to give the undertaking the best possible start. He has the direction of "Psyche", an international paper of psychology, and of two important groups of books: "The History of Civilization" and "The International Library of Psychology, Philosophy and Scientific Method", and this work puts him in touch with men of learning in all parts of the earth.

Basic English is so simple, and so much needed, that it is only a question of time before it comes into general use as a second language. This page you have been reading is, by the way, in Basic English.



In coöperation with the American Civic Association

## Safety for Death Avenue

**M**ANHATTAN'S West Side has always been an exciting part of town. It extends along the Hudson River, with the glamor of incoming and outgoing ocean liners, the echoing calls of fog horns and whistles, and all the bustle attendant upon the departure and arrival of people and produce to and from all parts of the world. There are tugboats chugging up and down, ferry boats paddling from New Jersey, the *Berengaria* nosing out into the ocean, the *Ile de France* coming to anchor, and long lines of freight cars crossing the river on floats.

Above all, it is the wholesale food market of the city. If this section drifted out to sea, New York would not eat. Meat packing houses with beeves by the score hanging in the windows, dairy product firms with thousands of boxes of eggs, crated fruits and vegetables of every sort, and the aromas of big bakeries and coffee plants, all contribute their atmosphere.

Tenth Avenue, which runs parallel to the Hudson through the heart of this district, is adorned with railroad tracks. At almost any time of day, freight trains move leisurely along, poking in and out of warehouses and sidings. These trains always are preceded by a man on horseback, who rides along with flag in hand, a mute warning of this strange sight of a freight train on an important thoroughfare in the center of a great city. At night he carries a lighted lantern as a signal.

This archaic but interesting custom has been ineffective in securing safety for pedestrians and drivers. So many people have been killed there that the street is called Death Avenue. It is a dark, confusing place at night, and in spite of the good intentions of the man on horseback, trains have a habit of looming up out of the shadows too suddenly to be avoided. Death Avenue has been a quick way to get downtown or into a hospital.

But strange things are now going on along Tenth Avenue. The place is changing. Isolated sections of a great steel viaduct stand around, looking like pieces of an enormous jig-saw puzzle. Workmen are pulling down some of the adjacent buildings and scurrying around in others, blow torch and drill in hand. Several business structures have mammoth openings gouged into them. They look as if a giant bullet had swept through, leaving a clean-cut tunnel in its wake. Big things are going on.



THE YOUNG MAN on horseback rides ahead of the switching locomotive ringing a bell to warn traffic. The "Tenth Avenue cowboy" is doomed by the elevated freight railway now under construction.

Between \$130,000,000 and \$150,000,000 will be spent, primarily to make this part of the world a better, safer place for pedestrians. It is essentially a railroad improvement project, but it is also in compliance with a New York state law which seeks the elimination of all grade crossings as menaces to human life. The New York Central Railroad is paying most of the cost, with the state and city contributing. When this work is completed, practically all the grade crossings in Manhattan (there were originally 108) will have been eliminated.

No longer will a lone watchman ride down Tenth Avenue waving his flag or lantern to warn of the approaching iron horse. Within the year these freight trains will be off the ground, on elevated tracks. Electricity will supersede steam for motive power. When buildings stand in their way the tracks will run over or through them—as, for example, the Cudahy meat concern, a wholesale bakery, and part of the Bell Laboratories. The tracks have been carefully insulated to minimize noise and vibration that might annoy occupants of the buildings.

Uptown, parallel with Riverside Drive, the trains run through a tunnel. The roof of this railroad passage will be used as an automobile highway, a continuation of the new West Side Motor Highway. Downtown sections of this highway, already completed, parallel the railroad viaduct and often are confused with it. The two improvements—one for motor traffic, the other for freight trains—follow practically the same course and

look somewhat alike. As part of the plans for the Motor Highway uptown, extensive landscaping and beautification will be carried out by the Park Department of the city.

A huge terminal, near Spring Street, starting point for this railroad viaduct, is now under construction. Eighty-eight buildings were torn down to make room for it. At first the terminal will have only three stories, but nine more can be added later. When completed, it will be the city's largest warehouse, surpassing in size even the new structure of the Port of New York Authority. A cold storage plant and other commercial buildings are units which will be constructed soon.

Of the \$130,000,000 or more which is to be spent in removing Death Avenue, nearly 90 per cent. will go for labor. Approximately 1,500 men are being employed directly on the work, over a period of many weeks. Indirectly, the work will provide jobs for 6000 men, which in this year of grace 1933 is in itself no mean civic achievement.

### San Francisco Starts to Work

**T**IME IS MONEY. Conversely, time costs money; sometimes big money; as much as one hundred million dollars for instance. This amount will be spent by San Francisco, within the next five years, in order to save commuters thirty minutes a day. By 1937 they will be able to speed between home and office via

two huge but beautiful bridges, where now they must use ferries. Californians have been wanting these bridges for years, and now that work has actually begun everyone is happy except perhaps the ferryboat owners.

The two new bridges will make engineering history. Golden Gate bridge, over a mile long, will be the longest of its type in the world. It will be a suspension structure similar to the George Washington bridge which crosses the Hudson at New York City. It will have a six-car roadway, affording ample space for the 260,000 vehicles which, it is estimated, will use it every day.

The San Francisco-Oakland bridge will cross more water, have deeper foundations, and cost more than any other single structure in the country. Its total length will be seven and a half miles. It will have the appearance of two separate spans, with Yerba Buena Island the connecting link. To cross this island the bridge becomes a tunnel. Six thousand men will be given jobs because of these new time-savers.

Funds have been provided by the Reconstruction Finance Corporation. These will be repaid with proceeds from toll charges levied on the users. It is expected that the tolls will pay for the bridges in twenty-five years.

### Chinsegut Hill Sanctuary

ONE OF THE wildest and loveliest sections of Florida is in Hernando County, in the west central part of the state. It is near the Anclote river country, that secret, mysterious region of which Edwin Granberry writes and only a few miles inland from Tarpon Springs, the famous sponge-fishing port.

This is "cracker" country far removed in atmosphere and mood from the fashionable tourist region. Wild iris, blue lupin, wild plum and violets grow beside the curving, hilly roads that wind along under moss hung cypresses and beside haunted swamps and sun filled lakes. Rivers of water hyacinths flow into waterlily lakes; great blue herons and white egrets stand motionless in shallow streams.

This is a far away, long ago country—a land of stillness and long shadows. It is like no other part of the United States. It is tropical and yet not tropical, Southern and at the same time foreign. Unusual fruits, flowers, trees and shrubs grow here—the passion flower, the mandrake, thousand-year-old cypresses; air plants, magnolias, wild orchids.

Chinsegut Hill is the name of one of the most beautiful estates in Florida. It is in the heart of this section, at the top of a low wooded eminence which commands a superb view of the hills and lakes of the county. All natural beauty has been protected, but land-

scaping and clearing have improved the lawn and gardens. Colonel and Mrs. Raymond Robins, owners of this estate, have been public spirited and far sighted enough to turn the property into a sanctuary, where the wild life and natural growth of the wilderness will always be cared for. It will also serve as an experiment station. The U. S. Biological Station and the Florida Experiment and Agricultural Extension Service are uniting to preserve and develop resources native to this region.

The grounds of Chinsegut Hill will be opened to the public every Thursday afternoon. Upon the death of the owners, the 2200-acre estate will become Government property.

### Municipal Housing

LOW-COST housing as a public utility and a social need has been advocated for years by social workers, economists, and city planners. Now that large-scale building is offered as a way to fight depression, low-cost housing should be seriously considered as a variant of bridges, statues, roads and other public undertakings.

Municipal and coöperative housing projects may be financed by the R. F. C., if they are regulated by state or city laws and if the borrowed funds are to be repaid within ten years. At the recent Architectural League exhibition in New York, there were several rooms devoted to exhibits of modern mass housing, as it should be and as it is. There were photographs of crowded, squalid city areas as they were and as they are now, with gardens, light and air for all. There were pictures from Detroit, Cleveland, Chicago, and Brooklyn, but the most interesting came from foreign coun-

tries. The working classes in Holland, France, England, Germany, and Russia have been receiving worthy attention from architects and city planners. Many of these pleasant apartments—clean, convenient, and sunny—are built to rent for as little as five dollars per room a month.

Stockholm, in Sweden, is surrounded by garden cities made up of small cottages that can be put up, we are told, in one day. The government finances 90 per cent. of the cost. A four-room house costs about \$260 a year. These garden cities form an important part of Stockholm's community building program.

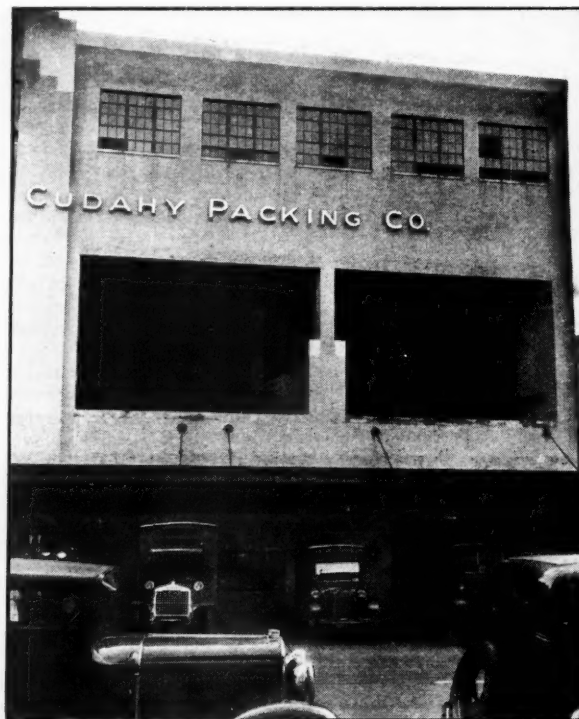
• • IN ITS expiring hours, the Seventy-second Congress would readily have enacted the bill creating the Everglades National Park, in the southern part of Florida, but for Speaker Garner's stubborn refusal to allow the House to vote under suspension of the rules. The Senate had passed the measure in the previous year; and there was no sound reason for refusing to allow Congresswoman Ruth Bryan Owen the satisfaction of having the measure put on the statute books while she was still in Congress. No appreciable public expenditure is involved in this eminently desirable project. Undoubtedly the new Congress will give President Roosevelt an opportunity to sign the Everglades Park bill.

• • TUSKEGEE INSTITUTE reports that five less lynchings occurred in 1932 than in 1931, and thirteen less than in 1930. This is progress of a sort.

• • ROBOT guides are being used in the Hawaiian Islands to point out places of scenic, historical, and legendary interest. The guides are in the form of colored metal Hawaiian warriors. All forms of road-side billboards and advertising signs are banned in the Islands by law and public opinion.

• • THE WORLD of a million years ago—with its dragons, mammoths, sabre-tooth tigers and prehistoric cave men—is to be reproduced at A Century of Progress—which is the name of Chicago's 1933 World's Fair. Visitors to the Fair will be able to see for themselves how much or little progress we have made in appearance in the last million years. Electrical devices will make the monsters extremely life-like. Dinosaurs, giant turtles, a diplodocus, and many other animals with peculiar names, will romp around and portray the mode of life and quaint customs of antedeluvian times.

• • PHILADELPHIA has celebrated the opening of the major section of its new \$10,000,000 railroad terminal. This represents the most important building in an elaborate city beautification program, in which the city and railroad are coöperating. The project will include a new post-office, a court house, and a Benjamin Franklin Museum.



Elevating the railway tracks along Manhattan's waterfront has made great holes in buildings. Bridges over the streets will finally complete the improvement.



# The March of Events

From February 10  
to March 15



COMPTON, CALIFORNIA, immediately after the earthquake (March 10 and 11) which, centering in this district, caused more than 100 deaths and property damages of \$45,000,000.

## New President

President Roosevelt takes control at a critical moment . . . Calls for Congress and a new deal in banks, economy, and beer.

**F**RANKLIN DELANO ROOSEVELT takes office as thirty-second President of the United States (March 4), and John Nance Garner becomes Vice President. In his inaugural address, President Roosevelt defines the immediate objectives of his administration but reserves specific recommendations until the promised special session of the Democratic Congress. "This nation calls for action, and action now." Thus he pledges leadership in overcoming unemployment, steadying the banking and financial structure, and balancing the budget. He will not hesitate to ask Congress to give him powers as great as those granted war-time Presidents. Without deprecating United States importance in world affairs, he says he will tend the immediate domestic problems before venturing into fields of international economic rehabilitation. "This great nation will endure as it has endured, will revive and prosper . . . The only thing we have to fear is fear itself."

DELAWARE, the last of the forty-eight states to take similar action, declares a state-wide banking holiday (March 4). The wave of state banking holidays which has thus swept over the nation began (February 14) when Governor Comstock used the precautionary device in Michigan (see page 52).

"It is essential that the first business before the Congress will be the present banking and financial situation." Thus President Roosevelt begins his administration by issuing a proclamation (March 5) calling a special session of the seventy-third Congress for March 9, ten months before the regular opening day established by the new Twentieth Amendment.

A NATIONAL banking holiday in which the administration can map a campaign to strengthen the country's banking system is declared (March 5), late at night, by President Roosevelt. The proclamation closes banks from March 6 through March 9; puts an embargo on gold or silver withdrawals for export or domestic use; permits later issuance of scrip by clearing houses; and authorizes banking institutions to receive new deposits as trust funds. The power to proclaim the regulations is taken from the "trading-with-the-enemy" act of wartime. The country's security and commodity exchanges, except for the Chicago Live-stock Exchange, necessarily close for the duration of the holiday.

GOVERNORS, or their representatives, from thirty-three states meet with the President (March 6). Due to the banking crisis, discussion is confined to that subject instead of following the original program. This had included overlapping state and federal taxation; unemployment relief; and reduction of the cost of local government.

THE BILL embodying President Roose-

velt's emergency banking program becomes law (March 9) eight and one-half hours after the special session of Congress is called to order and hears the President's plea for immediate action. The five sections of the bill contain, respectively, these provisions: 1. All previous emergency decrees are confirmed; the President is permitted to restrict operations of Federal Reserve banks as he sees fit; he is given full control over credit and the currency; gold hoarders are to be fined. 2. The Controller of the Currency is authorized to manage the affairs of any national bank not considered 100 per cent. solvent. 3. National banks are permitted to raise funds by issuing stock or obtaining a loan from the Reconstruction Finance Corporation. 4. A new currency issue, backed by government obligations or other securities acceptable to the Federal Reserve, is authorized; Reserve banks are permitted to make loans to businesses which can offer United States obligations as collateral. 5. Funds are provided to pay expenses of administering the law. Passage of the bill in the House, where 161 new Representatives sit for the first time, is unanimous; in the Senate, where there are 11 new members, the vote is 73 for, 7 against.

PRESIDENT ROOSEVELT orders (March 9) an extension of the banking holiday "until further proclamation". The action is taken in order to give the administrative arm of the government time to carry out measures for opening banks in accordance with the emergency banking bill.



CONGRESS receives from the President a special message (March 10) urging the necessity of a balanced budget as a means of ensuring the national credit. The message points out that by the end of the 1934 fiscal year there will be an accumulated deficit of \$5,000,000,000. As a first step toward making expenditures equal receipts, he advocates a drastic reduction in the amount paid in various classes of veterans' compensation; and that federal salaries be reduced in keeping with reduced costs of living. Total savings are estimated at \$500,000,000. "The very stability of our government itself is concerned, and when that is concerned the benefits of some must be subordinated to the needs of all." Close on the heels of the special message, Congress receives from the President the Sherley-Douglas bill embodying his economy suggestions. Immediate action is urged.

THE HOUSE approves (March 11) President Roosevelt's bill effecting a \$500,000,000 saving in veterans' compensation and federal salaries. The vote is 266 to 138, with 69 Republicans joining 197 Democrats to pass the bill. A previous effort to secure unanimous Democratic consent by means of the party-caucus rule had failed. The bill is immediately sent to the Senate, whose Finance Committee orders it favorably reported exactly as submitted by the President and passed by the House.

"I WANT to talk for a few minutes with the people of the United States about banking," says the President (March 12) in beginning a national radio address. He recites the steps that the administration, acting in cooperation with the Treasury and private financial authorities, has taken to meet the crisis; and outlines steps contemplated in bringing the situation back to normal. He reassures depositors in banks not members of the Federal Reserve—and who are thus not directly included in the emergency banking bill—by promising them aid of the Federal Reserve and the Reconstruction Finance Corporation. The future course, gradual because of the need for time in printing and distributing new currency and carrying out regulations, is as follows: Federal Reserve and state banks are to be opened (March 13) if judged 100 per cent. solvent by federal and state authorities. The following day is to see the opening of sound banks in the 250 cities where clearing houses are situated. Other banks (March 15 and following) will open as they are judged sound. "I do not promise you that every bank will be reopened . . . but . . . there would have been more and greater losses had we continued to drift." The gold embargo is to be continued and gold hoarding is to be fined. During the preceding week, in which early drastic bank limitations had been gradually relaxed, gold valued at \$300,000,000 had been returned to the Treasury.

CONGRESS hears a special Presidential message urging immediate modification of the Volstead act to legalize beer and thus tap a new revenue source (March 13). The two-sentence message follows almost exactly the wording of the Democratic beer plank in the party's November campaign platform.

BEER of 3.2 per cent. alcoholic content by weight is approved by the House as it passes (March 14) the Cullen beer bill. The vote is 316 to 97, giving wets the largest majority achieved on a liquor vote since prohibition went into effect. It is believed capable of producing \$150,000,000 in new revenue during its first year by obtaining a \$1,000 license fee from each manufacturer, and laying a \$5 tax on each thirty-one-gallon barrel. Regulation is left to the states, with the federal Government guaranteeing protection for those which remain dry. The provisions are to become effective fifteen days after final enactment. Voting for the bill: 238 Democrats, 73 Republicans, 5 Farmer-Laborites; against 58 Democrats and 39 Republicans. The Senate receives the bill immediately.

STATE BANKS not members of the Reserve system would be benefitted by the Robinson bill, passed (March 14) by the Senate. An amendment to the emergency banking bill, it proposes to permit state banks which have exhausted ordinarily acceptable assets to apply directly to Reserve Banks for emergency loans.

## Appointments

The new administration's aides are named.

THE TEN MEMBERS of President Roosevelt's cabinet are sworn into office by Supreme Court Justice Cardozo (March 4) immediately after their appointments

are confirmed at the first—and brief—meeting of the new Senate. It is the first time that an entire cabinet has been sworn in on the same occasion; that the White House has been the scene of such a ceremony; or that the same official has administered the oath to all members. Over a ten-day period, important selections for the new administration were announced as follows (see also page 23):

**SECRETARY OF STATE:** Cordell Hull of Tennessee; in 1931 began his first term in the Senate after serving eleven terms in the House; long a student of international affairs (February 21).

**SECRETARY OF THE TREASURY:** William H. Woodin of New York; a Republican who supported Mr. Roosevelt's campaign; president of the American Car and Foundry Company; highly regarded in finance and business (February 21).

**NORMAN H. DAVIS,** under President Hoover chairman of the American delegation to the Geneva arms conference, is asked to continue under the new administration (February 22).

**LEWIS W. DOUGLAS,** Representative from Arizona, is asked to become Director of the Budget (February 23). He is known to favor balancing the budget by reorganizing government bureaus and departments and by drastic reduction in veterans' compensation.

**SECRETARY OF WAR:** George H. Dern, former Governor of Utah; miner and banker; closely associated with Mr. Roosevelt in several Governors' Conferences (February 23).

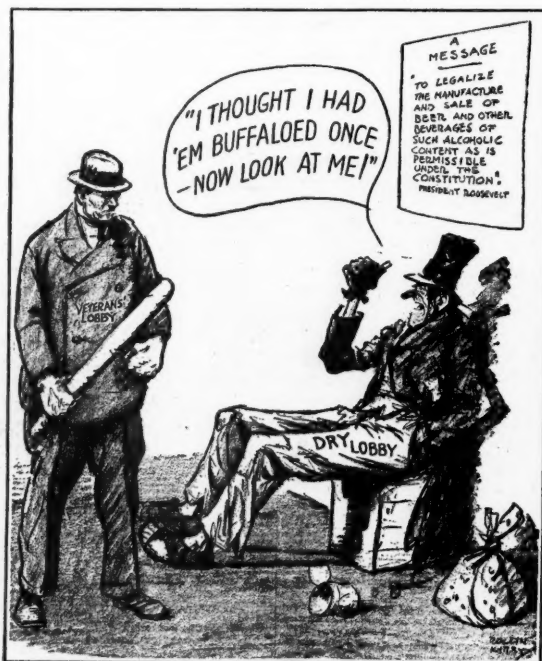
**POSTMASTER GENERAL:** James A. Farley, New York; chairman of the Democratic National Committee; manager of Mr. Roosevelt's nominating and election campaigns (February 26).

**SECRETARY OF AGRICULTURE:** Henry A. Wallace of Iowa; publisher of a national farm paper; son of the Secretary of Agriculture under President Harding; advocate of liberal means of securing farm relief (February 26).

**SECRETARY OF THE NAVY:** Claude A. Swanson of Virginia; United States Senator since 1910; formerly governor; member of the American delegation to the present Geneva Disarmament Conference (February 27).

**SECRETARY OF THE INTERIOR:** Harold Ickes of Illinois; Chicago lawyer; progressive Republican; old friend of the President-elect (February 27).

**SECRETARY OF COMMERCE:** Daniel C. Roper of South Carolina and Washington, D. C.; under previous Democratic administration had been First Assistant Postmaster General, vice-chairman of Tariff Commission, and Commissioner of Internal Revenue (February 28). (Continued on page 60)



By Kirby, in the New York World-Telegram  
THE BOY WHO WIELDED THE CLUB BEFORE

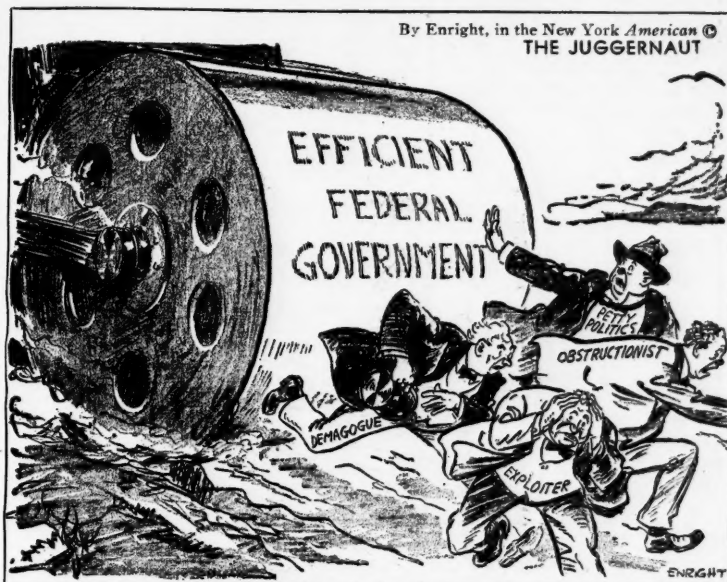
"OH, SAY CAN YOU SEE?"  
By Fitzpatrick, in the St. Louis Post-Dispatch



CARTOONS

OF THE MONTH

By Enright, in the New York American ©  
THE JUGGERNAUT



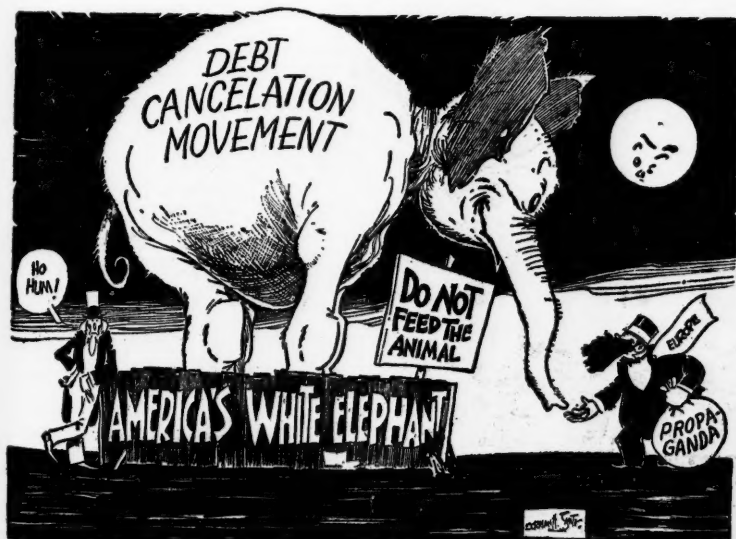
By Sykes, in the New York Evening Post  
DOWN FOR THE COUNT



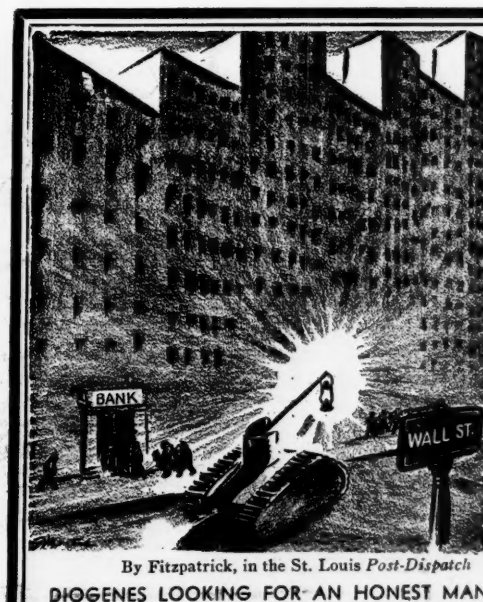
By Sykes, in the New York Evening Post



By Hutton, in the Los Angeles News ©  
"HE'S YOUR BABY NOW!"



By Smith, in the New York American ©  
THE SPOILS OF WAR



By Fitzpatrick, in the St. Louis Post-Dispatch  
DIOGENES LOOKING FOR AN HONEST MAN

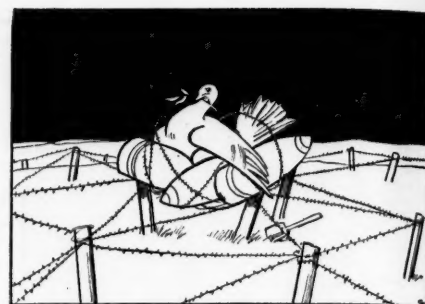


By Struve, in the London Daily Express.

CHAPERONES are coming back; so said Mrs. Roosevelt shortly before the inauguration. Foreign debt settlement bargaining is hampered by long-standing American prejudice against cancellation.

"HAPPY days are here again!" The leanings of the Hitler regime toward the old monarchy is pleasing to the former Kaiser and Crown Prince.

By Struve, in the London Daily Express.



From Kladderadatsch (Berlin).

GENEVA DOVE: "Do they expect me to hatch out Peace on a nest like this?"



By Will Dyson, from the London Daily Herald ©. THE SKEPTICAL WORLD of Economic Woe: "Geel! Another of those Frown-Kings!"



From Der Götze (Vienna).

HITLER (who points out that Wagner and Bismarck were not recognized immediately): "Today, I will play Chaplin. I have my greatest success with that."





From *Aux Ecates* (Paris).

GERMANIA: "I play the four jacks and announce the king."  
 MARIANNE (France): "I'll look for an ace."



From *Kladderadatsch* (Berlin).

UNEMPLOYED SOLDIER: "One good thing about war—we always had a job."

A WAR DEBT THAT  
 WILL NEVER BE  
 PAID.

From *Berlin am  
 Morgen* (Berlin).



By Will Dyson, from the *London Daily Herald* ©.

LATE PUPIL: "I don't want advice from you. I've learned all you can teach me."  
 THE TUTOR: "Not everything, my child, not everything."



From *Le Cri de Paris*.

HITLER: "I have a lot of good peace phrases in my speech."  
 VON HINDENBURG: "It won't be so bad, my boy, if you can make them believe it."



From *Le Populaire* (Paris).

CHANCELLOR HITLER: "I cannot make up my mind whether to follow Bismarck, Napoleon or Mussolini."

# A SURVEY OF THE MONTH'S MAGAZINES

## Some Views on Banking Reform

### Immediate Objectives

By Walter Lippmann in the  
New York Herald-Tribune.

**O**UR IMMEDIATE objectives are to make it impossible to hoard gold, which means remaining off the gold standard for the time being; to protect the currency, which means protecting the credit of the government and the Federal Reserve system; to restore confidence in the banks, which means reopening them in such a way as to provide complete certainty that in so far as any bank is open at all it is absolutely sound to the degree that it is open.

Of these three objectives the simplest to attain is the one concerning gold. The suspension of gold payments, which is now in effect, puts an end to further hoarding. It would be folly, I should suppose, to resume payments until the domestic panic has completely subsided and until there is international agreement on the working of the gold standard. Since Britain suspended, the gold standard has not been working anyway; its chief function has been to make it easy for international speculators and domestic hoarders to provoke crises in one financial center after another. Since the summer of 1931 they have been moving funds from Berlin to London, from London to New York and Paris, from New York back to Paris, Amsterdam, Zurich and so forth. This has done no one any good, and by staying off the international gold standard for the time being we shall not only obtain freedom of action for ourselves, but we shall hasten the return to a workable international standard.

As for the banks, without attempting to suggest ways and means, the principle seems reasonably clear. The nation must take control of the banking system, and in taking control the objective to aim at is to make the reopening of any bank mean that that bank is solvent. No bank should be allowed to open 100 per cent. or 50 per cent. or 10 per cent. unless it is absolutely certain that its solvency to that degree is beyond question. Since it is impossible to restore confidence completely in every bank, we should aim to restore complete confidence in those banks that are able to open. If a bank opens only 20 per cent. let that 20 per cent. at least be completely and unquestionably sound.

Now, it would be a great mistake to assume that because a bank is only 20 per cent. sound at this moment, that the other 80 per cent. is worthless. The correct principle, it seems to me, is to assume that a very considerable part of the frozen assets of most banks will become liquid as prices rise and economic life is restored. Therefore, we should proceed on the assumption that a bank which is partially closed will gradually reopen as its assets increase in value.

If this principle is accompanied by a radical reorganization of the banking structure and the outlawing of frenzied banking practices, confidence in the banks will return.

The third objective is to protect the currency by protecting the credit of the government. The basic condition of a sound currency is the control of government expenditures. It is an uncontrollable deficit which produces uncontrollable inflation. For when the deficit is believed to be out of control the government cannot borrow and must resort to the printing press. That is the underlying cause of every inflation which has destroyed a currency.

### Permanent Legislation

From The Business Week.

**I**T WAS APPARENT that as soon as emergency measures had been taken to improvise some kind of banking facilities of the country, the Administration would have to turn its attention to reform of the whole banking system. It was plain enough that unless there was a fundamental reform of the system, the public would have no confidence in it, and would never support it. Restrictive regulations might prevent the public from wrecking the present system immediately, but as soon as the depositors could, they certainly would make bank closings permanent and irrevocable by the simple process of withdrawing all funds.

The President sensed this, and announced it as his major objective. He could not, of course, frame an adequate new banking act in five days, so he asked Congress for a breathing spell of three

weeks. At the end of that time, the Administration program will be framed.

When his program for permanent banking legislation appears, it will, so the President promises, "prevent the recurrence of the evils of the past." It will prevent "speculation with the funds of depositors and other violations of positions of trust."

Though he has given no indication that this is true, it is generally taken for granted that he will move toward a unified system, since every student of American banking has long pointed to disunity as its principal defect. A necessary corollary, it would seem, would be branch banking. A third major question is the guarantee of bank deposits, for which strong sentiment exists in Congress. Notable among its proponents is Steagall (Ala.) who is a power in the House. The President apparently is working away from this idea. He hopes, it is indicated, to set up a system of such strength, surrounded by so many safeguards, that deposit guarantee would be superfluous.

Constitutional limitations may make it impossible to forbid states to charter banks—the point has been vigorously debated—but in the homely phrase of the backwoods, there are several ways to skin a cat. Authority of the federal government to do anything it likes with Federal Reserve legislation is unquestioned. The Federal Reserve might refuse to permit its members to transact any business whatever with non-members; that is just one way of getting unification, but a more effective one can hardly be imagined.

For the moment, opinion of the bankers themselves favors something of the sort. But enthusiasm, like champagne, has the defect of going flat when long uncorked. Sincere advocates of banking reform hope the Administration will be able to push its measures through with great promptness, before the forces of opposition have time to rally, recover their morale, and start up the old process of compromise which has nullified so much effort at banking reform. For example, the Glass bill—none too strong at the outset—was largely milk and water when it finally passed the Senate. And even that measure was pigeonholed by the House.

### The Gold Standard

By Carlton A. Shively in  
the New York Sun.

**W**HETHER THE COUNTRY is on or off the gold standard at the moment, the President's message and the new banking legislation passed by Congress make it clear that gold as a theory of currency is as solidly held as ever at Washington. That is a matter of great importance and one which at this time perhaps transcends the mere fact of withdrawing gold



By Carlisle, in the New York  
Herald Tribune ©.

EVEN washing behind the ears isn't going to be enough this time.



coins from circulation and prohibiting the export of the metal.

Citizens of the nation will understand the necessities of the case with regard to gold coins, and foreign countries also have had enough experience with gold exports and imports to appreciate the niceties of theory and practice with respect to the gold standard. Meanwhile the full reading and digestion of the new banking laws left a good impression in the financial district. It is felt that they will pave the way for a genuine recovery in finance and industry.

The chief problems of the nation now will be to reestablish a banking system which will be far sounder than the old, to return as soon as possible to the gold basis in fact and to end deflation based on fear and supplant it with greater activity in trade, accompanied by the greater use of the bank credit amply available. Merely pumping millions of credit into a money market where no use could be found for it has proved unsuccessful in lifting commodity prices, in stopping deflation or in keeping the country on the gold standard.

## Tell the People!

By G. Prather Knapp in  
the Banker's Monthly.

**B**ANKERS who believe in public relations are going forward to a new era in the expression for profit of the bank to its public. By word of mouth, by paid advertisement and informed editorial, by mail, by radio, by poster and card—by every method which ingenuity can devise and skill maintain, they are going to inform all of the people all of the time.

They are going to *sell* all of the people all of the time. They are going to sell them *faith* based on plain explanations of plain dealings. They are going to sell them *hope* based on security for what they have and progress toward what they want. They are going to sell them *love* of their country and its economic institutions based on enforced and demonstrated sincerity in every man who handles any other man's money.

## The Value of the Dollar

From the Nation.

**I**T SHOULD BE recognized that the new banking bill is essentially a stop-gap measure. It does nothing to remedy the fundamental ills of our banking system. It will doubtless bring more banks into the Federal Reserve system, but banks brought in by these methods may resent them, and withdraw at the earliest opportunity. We shall not have a genuinely unified banking system until the power of the individual States to grant banking charters has been removed. A constitutional amendment to make this possible should be submitted to the States immediately. Nothing less than a unified system of national banking under rigid government control can get to the root of the difficulties that have resulted in the present collapse.

By suspending gold payments we have for the time being abandoned the gold basis. There should be no attempt to return to it at the old parity of the dol-

lar; we have suffered enough through making a fetish of that parity. Our first step should be to ask for the calling of the World Economic Conference at the earliest opportunity, and we should propose at that conference a general and uniform devaluation, by approximately 50 per cent., of the world's currencies. Failing a general agreement, we should



By Carlisle, in the Des Moines Register.

## ARE WE CAPABLE ONLY OF EXTREMES?

attempt to reach one with Great Britain. Failing such an agreement, we should act alone. Only by this method can we hope to achieve a rise of commodity prices to pre-depression levels. Only by this method can we hope to exercise any real control over the price level, to inflate to the extent that we want to inflate and no more.

## Real Reform Possible

By Ralph West Robey in  
the New York Evening Post.

**I**T NOW is obvious that finally it is possible to have some real banking reform in this country. The national moratorium provided conclusive proof of the necessity for such reform, and the statement of Winthrop W. Aldrich, head of Chase National Bank, marked the end of the organized opposition of the financial district to the needed overhauling of our financial structure. The only question remaining is the exact lines that such reform should follow.

From a broad point of view the needed lines of reform are fairly clear. First, all commercial banks should be brought under the supervision of the federal Government in order to eliminate the everlasting competition between national and state banks for getting an easing of the statutory requirements. This competition has been one of the primary causes for the gradual weakening of the American banking system. It has made it impossible to get anything through Congress that had any real teeth in it.

Secondly, there should be an extension of branch banking sufficient to permit banking facilities to be provided for those communities incapable of supporting an independent institution. State-

wide branch banking would accomplish this, but because trade channels are not limited by State lines it would be more desirable to limit branch banking only to Federal Reserve districts. This would be adequate to prevent domination by only a few groups.

Thirdly, a clear-cut distinction should be made between security underwriting and commercial banking. Security affiliates should be eliminated entirely as adjuncts of commercial banks and limitations should be imposed upon the amount of funds of commercial banks which can be devoted to the handling and carrying of securities. As Mr. Aldrich suggested, too, this divorce between investment and commercial banking should extend to directorships, and private banking houses should not be permitted to dominate commercial banks.

Fourthly, a distinction should be made between savings banking and commercial banking. The practice of permitting commercial banks to accept time deposits has resulted in much abuse through a shifting of demand deposits over to the time deposit category in order to enjoy the lower legal reserve percentage. This abuse has been so widespread that it is probable that it can be corrected only by imposing the same reserve provisions for all deposits.

Finally, the supervision of the banking system should be strengthened. Too many of the individuals charged with the supervision of our banking system fail to realize that it is their function to protect the public. An entirely new approach is needed in banking regulation, both from the Controller's office in Washington and from the Federal Reserve banks. Until this change is made banking statutes and banking principles will continue to be ignored to a greater or lesser extent and any reform will be largely ineffective.

## A Unified System

From Dun and Bradstreet  
Weekly Review.

**A**PART FROM the emergency legislation designed to deal with the current phenomena, greatest interest now centers in the more permanent steps to be taken for dealing with the banking situation as a whole. Legislation to this end probably will take weeks and perhaps years to fashion, but already some outlines are discernible. The realization is said to have been borne in upon the national authorities that it is time for ending the confusion of banking systems in the United States. In place of the national banking system and the separate systems in each of the forty-eight States, we are probably destined to witness the emergence of a single and unified banking system under far more careful and restrictive control than has heretofore been possible. Mutual guarantees by the banks of their depositors' funds, and possibly a Government guarantee of a certain proportion of such deposits may result for a time. Reduction of the number of banks seems inevitable, and the end will plainly be a banking system more in keeping with the necessities and more like the British and Canadian systems.



## Hitlerism—Pro and Con

By Hans Zehrer in Die Tat (Jena); and Lion Feuchtwanger and Roger Shaw, in the Jewish Standard (Toronto).

"DIE TAT" of Jena, Germany, is a moderate and enlightened organ of Hitlerism—the mouthpiece of the Nazi intellectuals. Hans Zehrer, its famous editor, who is an erstwhile liberal, speaks as follows in regard to the aims of the Hitler movement. Especially he stresses national unity, to wit:

"The Nazi movement is founded on the fact that four-fifths of the Germans now desire social justice. The Catholic trade-unions favor nationalization. The Socialists make similar demands. The Communists are even more socialistic. The foreign nations which have forbidden equality of armaments to Germany have aroused a new patriotism that unites the German people. This patriotism and the social movement draw closer daily, and are finally welding the people. The political parties are losing importance because their propaganda has gotten them nowhere. . . .

"After the revolution of 1918, it was a question of monarchy vs. republic. Then of black-white-red flag vs. black-red-gold flag. Other issues have been dictatorship or democracy; capitalism or socialism. These controversies, wordy and without solid foundation, characterize the ancient battle of Right vs. Left. Today the conflict of Right vs. Left no longer exists. It is dead.

"The Right, as exemplified by the Nazi movement, has Left tendencies in the field of economics. The Left, through the trade unions, is showing a patriotic ideology typical of the Right. In short, the people are tired of party politics. . . .

"Today we have an opportunity to present a truly united front; for such a community of interest already exists among the masses, although it has been retarded by the obsolete party machines.

"There is one flag in Germany today. If this flag remains flying, despite the political parties, the crisis is past and we are well on our way out. The masses are ready. If our leaders are capable of accomplishing this object, Germany will be consolidated upon a new basis.

"This is the object of the integral Nazi movement."

HERR LION FEUCHTWANGER, greatest of German historical novelists, does not care for the Hitler movement. His liberalism is offended by its regimentation. He declares, in the Jewish Standard of Toronto:

"It is rather difficult for a German writer of Jewish extraction to write about Hitler. It is a ticklish matter. So you understand that I have to be careful. It is a historical fact that all great politicians and statesmen have spoken and written in a good style. Napoleon, Disraeli, and Bismarck expressed their thoughts in a manner as clear as crystal. Even old Hindenburg, who declares that he has read only two books in the whole of his life, writes and speaks a very clear German. Herr Hitler writes and speaks the worst German ever written or spoken in our country.



From II 420 (Florence, Italy)

Hitler emerges out of Italian fascism.

"When Hitler put over the first Putsch, the so-called Biergarten revolution of Munich, he promised that on the following day he would be either dead or dictator of Germany. The following day he was neither dead nor dictator of Germany. Before the November elections he declared that he was sure his party would have an absolute majority. His party did not get an absolute majority. A few months ago he stated that he would never collaborate with Hugenberg, the leader of the other nationalistic party, or with Von Papen, our famous military attaché in America during part of the World War. Now he declares that his rule in Germany will last four years and that he will give bread and work to Germany. . . .

"When I stated that in Germany the people who are materially poor belong to the Left parties, and the people who are spiritually poor belong to the Right, there was a great noise in the nationalistic papers.

"Well, the book which Hitler himself wrote, entitled 'Mein Kampf,' reached a circulation of only 200,000 copies; the book of his most violent antagonist—the book 'All Quiet on the Western Front,' by Remarque—reached a circulation of 1,200,000 copies. Now I ask you: do the intellectuals, the readers, belong to the Right or to the Left?

"The National-Socialists never had original ideas. They have constantly imitated and used the ideas of other people. They took their emblem, the swastika, from the Indians. They got their salute and military uniform from Mussolini. They took the name of their headquarters—their brown houses—from the yellow house in my book 'Success,' which admittedly is not too Hitleristic.

"I can find only one original idea in the plans of the National-Socialists. One of their leaders, when asked what they would do if they won power, answered: 'Keep it.' Keep the power, hold the power, remain in power. So far as I can see, this is the only firm plank of their program. It is their whole program. I wonder whether it will be enough for a four-year plan—the idea of which by the way, was taken from the Soviets."

FINALLY ROGER SHAW, in the Jewish Standard, attempts to present both German points of view in an imaginary dialogue. It runs as follows:

Nazi: "We shall proceed to liberate Germany!"

Jew: "Liberate Germany from what?"

N: "From the cruel restrictions of the treaty of Versailles."

J: "Not a bad idea. We Jews dislike all sorts of persecution, you know."

N: "Germany must not longer be exploited by France, and England, and Poland, and the Czechs, and Belgium."

J: "Right again, old Swastiker."

N: "Reparations tribute must go, and Germany must be adequately re-armed as befits the dignity of a great nation."

J: "Reparations, I take it, are slavery?"

N: "Yes, national slavery. We must struggle against international control."

J: "Since 1918 we have been ruled by the Versailles settlement, nicht wahr? Very oppressive, I'm sure. And yet, before 1918, I seem to remember a Junker caste and a sort of military cult which was oppressive, too. . . ."

N: "Think of the Corridor, and Schleswig, and Malmedy, and Upper Silesia, and all our lost colonies."

J: "Somehow I must confess to more interest in race-equality at home, and in republican social services, than in such comparative abstractions as Posen, and Kamerun, and the South Tyrol. No doubt I'm most unpatriotic."

N: "Under the old régime we had universal military service. Can we find a place in the sun without it?"

J: "Universal training leads to your glorious Caporetto. I happened to be at Caporetto, and I don't intend to repeat my visit if I can help it. The republic hasn't been interested in Caporetto. The empire was."

N: "And all this new liberalism. How can we compete with France and England for world leadership, with every fool airing his opinions and voting for his pacifist politicians? What Germany needs is iron discipline. Look at what Mussolini's done for the Italians."

J: "I don't consider that Germany should be an integrated national machine tuned up to compete with other integrated national machines. . . ."

N: "But the Versailles treaty!"

J: "I don't like the Versailles treaty any better than you do, my dear sir. But the Allies are some little distance away, and theirs is a rather remote control after all. The old Junker domination was right here at home, and it affected everybody very directly. And what are you fascists but a 1933 model of Junkerdom?"

N: "The nation must be exalted."

J: "And what of us individuals?"

N: "A true Semite, you. On strike against the nation!"

J: "Perhaps. The nation, I take it, is a collection of individuals."

N: "At least I am patriotic. If need be, I would enslave all Germans to free Germany."

J: "Well said, my friend. I, on the other hand, would willingly enslave Germany to free the Germans."

(This department continued on page 55)

# Keep Them Husky



IF YOUR child has never been brought into close contact with anyone who has tuberculosis, you can count yourself lucky because boys and girls are more susceptible to the disease than grown people. Most children who pick up tuberculosis germs get them from someone who has an active although often an unrecognized case of the disease.

Whenever a child is found to be infected, there should be an immediate search for the source of the infection. A child may be in daily association with an older person who is entirely unaware of the fact that he or she has tuberculosis which can be transmitted to others. The condition is probably thought to be chronic asthma or bronchitis.

However, why guess about possible infection? You can almost always find out by the simple tuberculin test whether or not your child has picked up any germs of tuberculosis.

If he has become infected, you will surely want to take the next step—have an X-ray

examination to learn whether or not any harm has been done or is being done. Even though the germs are lying dormant, an infected child ought to be under medical care and carefully watched.

Many tuberculosis experts are of the opinion that the majority of the active cases of tuberculosis in adult life are partly or largely traceable to infection in childhood.

Despite all the progress that has been made in fighting the disease, it still causes more deaths and more invalidism between the ages of fifteen and forty-five than any other disease. Be on guard. Use all the help afforded by science to protect your children.

If detected in its earliest form, most cases of tuberculosis can easily be controlled and arrested. But if cases are permitted to develop to the point where the familiar first signs appear—loss of weight, lack of appetite, indigestion, fatigue and a persistent cough—there comes a long battle which can be won only with expert medical care, proper food and rest.



## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT

ONE MADISON AVE., NEW YORK, N. Y.

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APRIL, 1933

# FACTS and TRENDS in FINANCE and BUSINESS

o o o As Seen Through Our Roaming Periscope o o o

## When Banks Were Closed

**W**ITH EACH NEW phase of a depression that has seemed interminable, a people optimistic by nature have tightened their belts and taken a fresh start. Indeed, their fortitude and courage, and their ability to survive successive shocks is ever more noticeable than their progress upward.

Economic histories of the future will record these various phases with far greater clarity than has been apparent from year to year to those who have lived through them. Our stock-market crash, the ensuing business shrinkage, financial crises and political upheavals abroad; all had one common result—the forced conversion (by individuals and banks) of securities and other forms of property into cash to pay debts whose margin of safety had been wiped out. Any sustained period of selling brings lower prices; a wave of forced selling brings auction prices which even though ridiculous nevertheless set new standards of value.

This deflation process, in the long and weary months since the fall of 1929, had witnessed the gradual conversion of property into bank deposits. The banks were bursting with money. We have pointed out in these pages more than once, for example, how our leading corporations through year after year of depression were reporting ever larger amounts of "cash on hand or in banks." Savings-bank deposits, indicative of the fortunes of individuals, similarly reached new heights. Money was the only thing that was not depreciating in value.

A few city banks were early caught in the deflation maelstrom, and some chains of country banks. We recall the Bank of United States (New York), which closed in December 1930, and the Bank of America (also a New York institution), which lost 77 millions of dollars in deposits within a six-months period in 1931 and finally was merged with a stronger institution. We recall also a Chicago bank in difficulties. The three years, 1930, '31, and '32 witnessed the disappearance of 6000 banks, four-fifths of them by suspension. Most of these were in very small cities and towns, and it is said that 60 per cent. of the suspended banks had been operating with less than \$25,000 capital. Our banking



By Johnstone, in the New York World-Telegram

### THE ABSURDITY OF IT ALL

It couldn't be done in the best of times—why expect to be able to do it now?

system as a whole stood the strain until the present year 1933.

Where was the straw that broke the camel's back? It is hard to say. A most popular explanation has to do with the fight waged by Congress last year, successfully, to throw the spotlight of publicity upon loans made by the Reconstruction Finance Corporation. The R. F. C. was brought into the world mainly to aid sound banks in an emergency, by lending government funds upon collateral that was good but not readily marketable. Congress insisted upon being told about each and every loan. Telling Congress meant telling the wide, wide world. Every important newspaper printed the list of banks that had been obliged to borrow. Depositors began to worry. An agency that had been created to help, actually brought disaster to many banks.

Another popular explanation similarly places blame at the door of Congress (the old Congress, that expired on March 4). The two low points in the depression—July 1932 and March 1933—both strangely coincide with the failure of an expiring Congress to make any sincere attempt to balance the budget. Each failure was accompanied by huge withdrawals of gold from America by shrewd international bankers who fear inflation but not deflation, and who grow rich by

shipping gold back and forth across the ocean in crises that are often of their own making. Congress had fiddled for three years while the national debt grew by 5 billion dollars. There was much talk in prominent Congressional quarters of further increasing the debt, from 2 to 5 billions more, in order to provide dole or jobs for the unemployed.

**H**OARDING was a recognized symptom of the depression as far back as September, 1931, when the decline in values had been under way for two years. We called attention to this hoarding in our issue for November, 1931, citing the following comparison of "money in circulation":

September 30, 1930..	\$4,501,478,377
September 30, 1931..	5,245,673,695

It was a gain of 744 millions in the amount of money held by banks (but not by the twelve Federal Reserve Banks), in corporation cash drawers, and in the hands of the people. Some of it was hoarding, by those who were beginning to doubt the safety of the banks.

Another year passed by. It was the height of the presidential campaign. Conditions had been improving for three months but were beginning to slide back. The amounts of money in circulation then and at the year-end, when holiday shopping increased the normal requirement, were:

September 30, 1932.....	\$5,653,349,722
December 31, 1932.....	5,674,941,484

During January of this year some of this money went back into the Federal Reserve Banks and the Treasury, and the situation was better than it had been in September. But during February a new hoarding wave set in, which is almost beyond belief when stated in cold figures. Amount of money in circulation:

February 1, 1933.....	\$5,644,618,924
February 28, 1933.....	6,545,617,139

Here was a gain of \$900,000,000 within a single month, plainly hoarded money. In a period of widespread poverty and unemployment, and of subnormal demand for legitimate business purposes, the amount of money in circulation was the largest ever known.



It happened that in the middle of February a Detroit bank had found itself so involved in real estate investments—"frozen" rather than "liquid" assets—that its cash was not sufficient to meet the growing demands of depositors. (It might be mentioned here that bank deposits throughout the United States had shrunk by 12 billions in the three years of deflation; there was more money going out of banks than coming in.) If that Detroit bank failed to open its doors it would bring disaster to others; so at least it was reasoned by banking authorities of the city, the state, and the nation. Thereupon Governor William A. Comstock was prevailed upon to proclaim an eight-day bank holiday throughout Michigan, affecting 550 banks and a billion and a half in deposits.

WHATEVER MIGHT have been the course of events had some other decision been made, it is clear that Governor Comstock on February 14 ignited a flame which swept around the nation, reaching New York on March 4 and finally resulting in the closing of all banks by federal action on March 6.

True, Nevada and Louisiana had observed these unique bank holidays earlier; but the Detroit situation was far more important, more serious, and more enduring. A great industrial state, center of the automobile industry, was to be without funds for more than a week. Its proclamation was widely publicized. Individuals and corporations over all the country began to protect themselves against similar misfortunes, and a wave of bank withdrawals soon set in that grew ever more pronounced. Governor Ritchie announced a three-day holiday for all banks in Maryland on February 25. Governor Laffoon on March 1 proclaimed the first four days of that month as "days of thanksgiving in the state of Kentucky", frankly admitting in his proclamation that this was legal camouflage. Governor McAlister of Tennessee also acted on March 1. On the single day March 2, bank holidays were declared throughout California, Oregon, Utah, Idaho, and Nevada.

There is no need to make the list complete. By Friday March 3 this silent but persistent conversion of bank deposits into cash had reached the limit of safety. Governor Lehman of New York and Governor Horner of Illinois, at the nation's two largest financial centers, refused to permit the banks of their states to open on Saturday March 4.

What had happened in two weeks is indicated by reports of the Federal Reserve Board showing a money-in-circulation increase of \$732,000,000 for the fiscal week ending March 1, and of \$818,000,000 additional for the week ending March 8. The figures for the second week should be read in light of the fact that all banks were closed for more than half of the time, and that many banks had been closed all of the time.

Under our commercial banking system any depositor is entitled to withdraw all his money without previous notice. There were 40-odd billions on deposit in national and state banks at the beginning of the year, and there were less than 6 billions of money in circulation. The Federal Reserve system had proved itself

flexible in 1929, and again in this emergency; but no system could be expected to withstand indefinitely the withdrawal of a hundred million dollars a day.

As an example: The financial statement of a New York bank which we have before us shows deposits of 215 millions at the close of business on December 31. To meet those deposits it had 256 millions. One-sixth of this was in cash—an unduly large proportion, which had grown ever larger as the years of uncertainty passed. Besides the 43 millions in cash, there were 20 millions invested in first mortgages, 36 millions in loans (for it is a commercial bank, organized for that purpose), 23 millions in corporation bonds, 80 millions in government bonds, and so on. Would any depositor familiar with such a statement fear for the safety of his money or feel that the mattress would be a better depository?

But many depositors never see the

statement of their bank, would not understand it if they did; and, besides, the panicky ones sometimes were not so fearful for the ultimate safety of their deposit as they were anxious not to be without funds (during an unexpected and prolonged holiday) for the conduct of their businesses or for their personal living expenses. Unfortunately, however, all banks were not in such good shape as the one whose statement we have analyzed here.

MEANWHILE, as an accompaniment of this drain upon our banking system there was a pronounced withdrawal of gold, for export by international bankers and for hoarding by private individuals. Gold coin and bullion in circulation (that is, outside of the Treasury and of the twelve Federal Reserve Banks) moved upward in the following fashion:

Have you a

## HEART?

■ You shouldn't know you have one. Its steady lub-dup should not come to your attention. If it does . . . if it throbs or flutters noticeably, you should check up on yourself, or have your doctor do so.

First, and easiest, drop caffeine out of your diet for two weeks. The amount in ordinary coffee often tries the heart, induces nervous indigestion.

You'd miss coffee? Not at all. Just switch to Kellogg's Kaffee-Hag Coffee . . . 97% caffeine-free. Blend of finest Brazilian and Colombian coffees.

Enjoy your coffee as usual. Make it as strong as you like. Drink it freely. Check your own physical reactions . . . heart, sleep, digestion. You'll not want to go back to ordinary coffee.

**Ground or in the Bean . . .** Roasted by Kellogg in Battle Creek. Vacuum packed. Buy it from your grocer. Satisfaction guaranteed, or money back.

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Send 15 cents in stamps for a can of Kellogg's Kaffee-Hag Coffee and a booklet on coffee and health. Use this coupon.

KELLOGG COMPANY, Battle Creek, Mich.  
Please send me a can of Kellogg's Kaffee-Hag Coffee (97% caffeine-free) and booklet. I enclose 15c in stamps. (11c)  
Mr. \_\_\_\_\_  
Mrs. \_\_\_\_\_  
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Street \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_

September 30, 1930.....	\$351,764,000
September 30, 1931.....	376,220,000
September 30, 1932.....	444,941,000
December 31, 1932.....	468,478,000
January 31, 1933.....	478,744,000
February 28, 1933.....	571,337,000

In the first stage of hoarding there was little indication that the hoarder was holding gold. The increase was 93 millions in two years. But in the last stage 92 millions in gold dropped out of sight within a single month.

As an indication of the extent of withdrawals of gold for export, or "earmarked" for export, the monetary stock of gold (as reported weekly by the Federal Reserve Board) decreased persistently as follows:

Week ending Feb. 8.....	\$13,000,000 dec.
Week ending Feb. 15.....	24,000,000 dec.
Week ending Feb. 22.....	51,000,000 dec.
Week ending Mar. 1.....	116,000,000 dec.
Week ending Mar. 8.....	101,000,000 dec.

This was a total decrease, in monetary gold, of \$305,000,000 in five weeks.

Our system is based upon gold, with 40 cents worth of the yellow metal standing behind most of our dollars. Here was a situation where the Treasury and the Federal Reserve systems were called upon to expand enormously the amount of money in circulation, and at the same time to part with large amounts of the very gold upon which that money was based. Picture a spirited pair of horses pulling in opposite directions, with the fate of a wagonload of eggs in the balance. It was an extraordinary tribute to the Federal Reserve system, in its twentieth year, that the situation held firm so long.

**T**HIS BANKING and money crisis coincided with a change in administration at Washington. On the day that he was inaugurated, President Roosevelt found the banks of most of the country closed. He ordered them all closed, for a period of four days, dating his proclamation Monday, March 6. He summoned the new Congress to meet in special session on March 9. He presented an Emergency Bank bill to Congress on the opening day. It was accepted by the House at 4 p. m., by the Senate at 7:30 p. m., and received the presidential signature at the White House at 8:37 p. m.

The first paragraph of that act indicates its extraordinary nature. We quote: "The actions, regulations, rules, licenses, orders, and proclamations heretofore or hereafter taken, promulgated, made, or issued by the President of the United States or the Secretary of the Treasury since March 4, 1933 . . . are hereby approved and confirmed." The italics, of course, are ours.

In proclaiming the bank holiday the President had based it upon a war-time statute which gave him power "during times of war or during any other period of national emergency" to regulate or prohibit the export or hoarding of gold. In order to prevent such export or hoarding he had closed all banks.

The Emergency Banking law, which had been offered to Congress and accepted in record time, confirmed the President's action; laid down rules for

the return of gold to the Treasury; made provision for the reorganization of weak national banks by the Comptroller of the Currency, under "conservators" rather than "receivers"; and authorized the issuance of Federal Reserve circulating notes to the full value of any direct obligation of the United States held by any member bank, and to 90 per cent. of the estimated value of notes, drafts, bills of exchange, and bankers' acceptances. These circulating notes "shall be receivable at par in all parts of the United States for the same purpose as our national bank notes and shall be redeemable in lawful money of the United States on presentation at the United States Treasury or at the bank of issue."

This circulating note privilege had long been attached only to 2 per cent. bonds of the United States, known as Consols and Panamas. The Glass-Steagall Act, which became effective in July last, extended that privilege to Treasury 3s, 3½s, and 3¾s. This new Emergency Banking act makes all direct obligations of the United States Government eligible for the circulating privilege.

Thus there was to be plenty of money for those who might wish to withdraw their deposits from the banks. The bank holiday had been extended by the President, with reopenings upon a stagger system that began on Monday, March 13. There were more deposits than withdrawals, and gold began to flow back.

All stock and commodity exchanges had of necessity been closed while the banks of the country were inoperative. The New York Stock Exchange opened on March 15, with an advance that averaged 15 per cent., said to be the most spectacular single-day marking upward of values within the memory of traders. Wheat advanced 5 cents a bushel at Chicago, which had by prior agreement been made the limit, and cotton rose approximately \$3.50 a bale.

A spirit of confidence pervaded the land, within ten days of the darkest period known to the present generation. This was heightened by the prompt acceptance by Congress of a second bill from the President, granting him full power to reduce Federal salaries and compensation to veterans (estimated to save the government \$500,000,000 in a year), and by the prompt passage of a beer-and-wine bill through both houses of Congress. This is expected to yield \$150,000,000 by means of a tax of \$5 per barrel (31 gallons) on legalized beer and wine, with an alcoholic content of not more than 3.2 per cent. by weight. Still a fourth measure was presented to Congress on March 16, looking toward a reduction of acreage and a smaller yield of wheat, cotton, corn, hogs, tobacco, rice, cattle, sheep and milk, so as to bring about a gradual increase in their prices and thus raise the purchasing power of the farmer.

## Banks, and Their Affiliates

**R**EADERS OF THE article by Carter Glass in our issue for January last, on "The Need of Banking Reform," will remember that he urged the separation of

banks from affiliated organizations engaged principally in the sale or distribution of securities. His original bill named three years as the limit beyond which this connection should not be permitted; but in his statement for this magazine, and in the bill as it subsequently passed the Senate, the time was extended to five years. The Glass banking bill failed to pass the House before adjournment.

**O**UR two largest banks are the Chase National and the National City Bank, both of New York City. Each of these institutions announced in March that it was already planning to divorce the bank and its security affiliate.

The National City Bank made its announcement on March 7, stating that separation will be accomplished "as soon as it can be done in an orderly manner without sacrifice of the assets of the company and of the value which exists in its facilities for the purchase and distribution of investment securities of the highest grade." No executive of the bank will hereafter sit upon the board of the company, and vice versa.

This decision was announced by James H. Perkins, who in the preceding week had been made chairman of the board of directors of National City Bank.

Just one day later came a statement from the Chase National Bank, through Winthrop W. Aldrich, chairman of its governing board. Mr. Aldrich's announcement was to the effect that a subcommittee of Chase directors is to report on ways and means of severing the bank from its security affiliates.

But Mr. Aldrich did not stop there. Speaking evidently for himself, he declared that the Glass bill failed to go sufficiently far in separating the business of commercial banking from that of dealing in securities. He outlined additional steps which would prohibit corporations or partnerships from taking deposits unless subject to the same regulations as national banks; and if such corporations or partnerships dealt in securities they should not be permitted to take deposits at all.

Furthermore, Mr. Aldrich would not allow officers or directors or members of partnerships dealing in securities to be officers or directors in any commercial bank. He would have bank boards so small that each member must be cognizant of its affairs and really responsible.

He would eradicate the spirit of speculation from the management of commercial banks by denying them the privilege of underwriting corporate securities; and he would compel all commercial banks to be members of the Federal Reserve system.

Interpreting these proposals, it may be said here that (1) they would make private banks subject to public regulation and publicity, and (2) they would put corporation financing into the hands of private bankers.

Carter Glass himself could hardly go further. Mr. Aldrich is a son of the late Senator Aldrich, a lawyer who became a banker since the halcyon days of 1929.



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# Babson's Reports

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## The Month's Magazines

Continued from page 50

### International Fairy Tale

From the New Statesman  
and Nation (London).

**A**N AMUSING little fairy tale, with a moral, has appeared in the *New Statesman and Nation* of London. It deals, in a good-humored way, with the deliberations of the League of Nations in times of crisis. To wit:

May 1. Night attack on Stockholm by 500 large Eskimo bombers. Stockholm destroyed. M. Avenol summons Council of League.

May 3. Meeting of Council. M. Benes proposes vote of a million gold francs for relief of Stockholm refugees. (Markets shaken.) British Delegation approves in principle, but insists on reduction of sum to £5. Eskimo Delegation, on point of order, claims that Swedes have no right to attend the Council since Sweden, having no capital, is no longer a nation. On motion of Sir J. Simon the point referred to Committee of Jurists, and Council adjourned.

May 6. Paris press urges necessity of clear thinking. Since Sweden is no longer a nation there is no question before the League. Will not the League's precipitate generosity perhaps galvanize into life an embarrassing corpse?

May 9. Mass demonstration in Hyde Park against extravagance of League.

May 14. Jurists recommend that Swedish delegates, if still alive, should



From the Glasgow (Scotland) Record.

Old Man League: "This will hurt me more than you."

Young Hopeful: "That's my idea, too."

sit provisionally, while question referred to International Court. The rest of Sweden destroyed.

May 15. At the Council the Grand Eskimo makes formal complaint against Sweden. Impossible for Eskimos to live at peace with a neighboring country in which disorder reigns, the towns are in ruins, the sanitation shocking, the so-called inhabitants mostly dead, and the newspapers full of anti-Eskimo feeling. Eskimo intervention an absolute necessity. Sir J. Simon deprecates precipitate action; Commission appointed to inquire into facts. Council adjourned.

June 7. *The Observer* denounces the "disastrous precipitancy" of the Council. *Times* defends the League and observes that, after all, the Commission of

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R. R. 4-33



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purchase more in the third named company?"

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## International Fairy-Tale

Continued from page 55

Inquiry may never report, so that no harm will have been done.

June 8. Deputation of all religions to Prime Minister, who replies: "Ah my friends! If only I and my old friend, the Grand Eskimo, could smoke a quiet pipe together in the chimney corner!" (Markets recover.)

June 9. Commission reports: Eskimos have "resorted to war" in breach of Covenant; have "used force for the settlement of a dispute" contrary to Kellogg Pact; used poison gas contrary to Gas Convention.

June 10. Disappointment and indignation in Paris and London. *Observer* considers Commission's report "maniacal." *Times* proposes that report, while treated with all respect, should be taken as read and not discussed further.

## II

JUNE 11. Meeting of Council. M. Madariaga proposes Eskimos be expelled from League and subjected to economic blockade under Article XVI. Sir J. Simon urges circumspection. The Eskimo air force is extremely powerful. It cannot strictly be said that Eskimos have "resorted to war" in breach of Covenant, since they have scrupulously refrained from declaring war. Neither have they "used force for the settlement of a dispute" for it seems clear that there was no dispute at all between them and Sweden. It seems also inaccurate to say that they used "poison gas," since the gas they used was an ordinary industrial product, perfectly harmless to those who were provided with the proper masks.

Danish delegate referred to order circulated through the Eskimo army: "Copenhagen next," and asked what exactly was meant.

Sir J. Simon said the phrase was evidently used in a purely geographical sense. An expert committee of geographers appointed to study and report.

June 12. Copenhagen destroyed by Eskimo bombers. Danes demand League intervention.

June 13. Sir J. Simon says events have shown the wisdom of a patient and conciliatory attitude. German delegate says Germany has always been a good friend to the Eskimos and expects support from them now. M. Paul-Boncour confines himself to the statement that France walks, head erect, toward the dawn. (Applause.)

June 14. *Daily Express* states that the poison gas used by the Eskimos is gravely suspected not to be of British make.

June 15. H. M. G. addresses inquiry to Eskimo Government. Anti-Eskimo riots in London and Liverpool. Two South Americans and a valuable gorilla killed by mistake.

June 16. United States Senate, after bitter debate, decide unanimously (1) that action shall be taken and (2) that Justice shall not be done.

Eskimo answer: The gas in question was supplied by the Europe-America Benevolent and Patriotic Steel Corpora-

tion, of which a well-known Englishman, Sir Bahnhof Alonzo Djamsky, is president. Feeling somewhat quieted. Apologies sent to South America and the Zoo.

June 17. Mr. MacDonald and Grand Eskimo smoke a quiet pipe in the chimney corner. Markets recover. Grand Eskimo made Knight of the Garter.

June 18. Eskimos destroy Belfast. Bonfires throughout southern Ireland.

### III

JUNE 26. Nobel Peace Prize awarded to the Grand Eskimo.

June 27. Chancellor of Exchequer, speaking with emotion, said England had always a tie of sympathy with the Eskimos. He fully realized that the action they had taken was a necessity for national security, since it was extremely dangerous to have so many large bombs about, undischarged. But when it came to waging war—for war he must call it—without using the main products of our most patriotic manufacturers, he must warn the Grand Eskimo that there are limits!

Eskimos destroy Dublin. Bonfires throughout Ulster.

June 30. Sir J. Simon says that a policy of patience has produced excellent results so far, but there is such a thing as equity. He is much moved by the Chancellor's remarks. M. Paul-Boncour said (amid applause) that, on the point of law, he would only point out that France was the fatherland of the spirit, and took some action (not clearly audible) toward the morning star.

July 6. Sir Alonzo Djamsky, with large escort of merchant ships, arrives in Iceland. Wild enthusiasm.

Mr. MacDonald says: "Ah, my friends." Markets rally.

July 9. Iceland declares war on Eskimos. Markets convulsed.

July 10. Emergency Council of League unanimously calls on Iceland to retire within her frontiers and pay war indemnity. Meantime sanctions of Article XVI to be applied in full rigor. Sir J. Simon says that in times like these the Covenant must be upheld at all costs. Iceland is a small nation and must not defy the League. M. Paul-Boncour in a scene of tumultuous enthusiasm was understood to express the same views as last time.

July 10-17. Icelandic force with 8,000 aeroplanes routs the Eskimos, destroys their air fleet, confiscates their walrus, captures the Grand Eskimo, and annexes the North Pole.

Nobel Peace Prize taken away from Grand Eskimo and awarded to Djamsky.

July 18. Council of League. Sir J. Simon says he had always insisted that a patient and conciliatory policy would have the best result, and events have proved him right. M. Paul-Boncour, concurring, explained that throughout this unspeakable tempest, as always throughout her history, France had... but the rest of his words were lost in the applause.

July 20. Sir Alonzo Djamsky and the Prime Minister smoke a quiet pipe in the chimney corner. Mr. MacDonald says: "Ah, my friends!" Markets recover.

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We would have dinner near the sea, in that cafe under a banyan tree. There would be papaya, and pineapple cut long. There would be our friends we met on the boat. Girls coming in radiant. Sun-bronzed skin... evening dresses... necklaces of real flower leis—gardenias, perhaps. And there would be native music and the unending murmur of the tropic sea... the light stir of coco palms...



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## • TRAVEL DEPARTMENT •

# What There Is in Europe

By ROGER SHAW

THESE ARE LOTS OF THINGS in them thar European hills—the Alps, the Apennines, the Pyrenees, the Harz, the Highlands. And on them thar European plains—in north Germany and the Low Countries, on the eastern steppes and thither in hither Spain. America has a well-nigh uniform civilization which stretches from coast to coast, from Seattle to Key West; but when one crosses a European boundary line, one encounters new sights, and signs, and history, and *kultur*.

There is France, the classical, the rational, where all is in proportion—as in Ancient Athens. Here is the land of the golden mean, of purest logic, of Gallic wit, and gay life in the cities. Outdoor cafes welcome the passerby, while the whitewashed peasant villages of the north offer the contrasting conservatism of ageless time. Paris is cosmopolitan, uniting all in an essence which—none the less—is semi-French. Paris has mosques and mannequins, Montmartre and Mistinguette, the tomb of Napoleon and the Louvre of pictures. Marseilles is a picturesquely southern port of call; Lyons is a model industrial city, of which the great Herriot is mayor.

There is Germany, land of the Gothic, the medieval, the ultra-modern. Here the black-faced type of newsprint embodies the spirit of Dr. Faustus—grotesque and old-world. And the modernistic architecture of Stuttgart or Berlin expresses the day-after-tomorrow. Berlin, greatest continental city, is gay cosmopolis itself—*kolossal*! There is Nuremberg, the toy center; and who in youth has failed to read "The Nuremberg Stove"? There is the Bavarian highland region, where short panties and green caps (with toothbrush badges) provide the proper background for Alpenstocks and cleated mountain-climbing shoes. Or try, if industrial-minded, the Rhineland and Westphalia—the Essen of Herr Krupp, industrial nerve-center of the Reich.

Take a look at Switzerland—home of chamois, and good hotels, and the Jungfrau, and the Matterhorn—Alps extraordinary. Here dwell the Romance and Teutonic races in peaceful accord. Geneva is the cradle of the Protestant Reformation; Berne is full of bears—wooden, sculptured, flesh-and-blood. Here in Switzerland sits the League of Nations, the supreme court of the future, the upholder of international justice. To the politic-minded, its activities and its Genevese structures are of great appeal. Switzerland, high-minded in herself, historic home of liberty, is now thronged

with the high-minded of the world—and high-minded of a most interesting type, well worth the contact.

Belgium, half-French and half-Dutch, is a cross between the two. Brussels is a little Paris in itself, a small gem of a city, and not so small at that. Then there is Waterloo nearby, where in 1815 the Napoleonic Eagle took his final dip—into oblivion. Belgium is highly industrialized—and her industry dates not to the Industrial Revolution of a century back, but to the early Middle Ages. Like Holland, her burgher civilization—staid and intelligent—first introduced the system of capitalism. Bruges and Ghent, Liege and Antwerp, with its cathedral, are on display—centers of guild activity when England and France were feudal and barbarous. And Holland, with its scrubbed brick fronts, and canals, and Amsterdam, Rotterdam, Vollenham, Edam, and many other dams.

Italy is beloved by the classical-minded, the lovers of romance in Venice, of gondolas, of Florentine art, of Milanese motors and Turinese Fiats, and imperial ruins. Naples, in the south, is typically Italian—in the minds of American visitors—colorful and carefree and superstitious. The Italian north is Alpine in its civilization, with many blondes and restrained temperaments. In Rome there is the new Vatican State, of interest to Catholics, and the specter of the Ancient Roman Eagle which after fifteen hundred years yet broods over the city of the Caesars.

Old England, with its Life Guards, and Horse Guards, and Grenadier Guards, and Coldstream Guards, and Scots, Irish, and Welsh Guards, is all costumed to delight the stranger. There is London, another imperial city, and one of dignity, typically English as Paris and Berlin are not so typically French and German. There are friendly country people, and friendly policemen (believe it or not), and adequate care for the unemployed, and a general air of order and self-respect, and slow progress by slower evolution.

Vienna, gateway to the east. "First stop en route to the Orient". Here are waltzes and music, and coffee done up in fifty-some divergent ways, and the best-looking females in Europe—Teutonic with a dash of the harem, an unbeatable combination, *nicht wahr?* Vienna has the finest workers' dwellings in the world—a shining example of municipal socialism well worth study by the agile-thinking. Austrian Tyrol, Catholic and conservative, is yoked to Vienna, agnostic and pinkish, by the treaty of St.

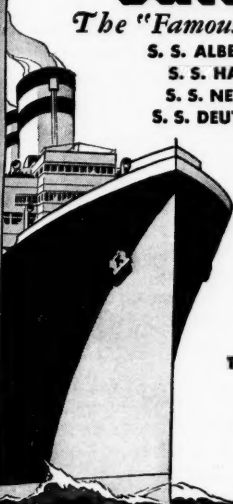


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Germain (1919). The pair are at odds. Tyrol has castles with the ghosts of crusaders, and wayside shrines, and Alps.

There is Spain, with its bullfights (if you can stomach them), and mantillas, and an able new government, and a proud proletariat—where a beggar is the equal of a duke, and people have been known to refuse tips from sheer natural dignity. Most generous race of Europe, the Spaniard is slow on the modern uplift but long on the natural values—or so the folks say, anyhow. Alfonso is not missed in the least, despite his erstwhile ballyhoo, but he was an indifferent toreador—and to be popular in the peninsula one must be something of a "bullerina".

There is Scandinavia, with its Norway, Sweden, and Denmark. Hence came the Vikings and the Varangians, who sailed to the New World, and to England, and to Constantinople (which they policed for the Byzantine Caesars). Here in the far north are sturdy, highly educated, worthwhile folk—fishermen, sailors, farmers. They are real Nordics; and if you believe in Nordic supremacy, then go north, you men, go north! Stockholm is a "Venetian" city of lakes; and Copenhagen has a rare charm as it presides over thrifty little Denmark, land of co-operative dairying.

Then there are Czechoslovakia, with its Prague; and Hungary, with its Budapest; and the Balkans, with a more exciting sort of life perhaps—an approach to the frontier. There is model Iceland, and model Ireland, and the Baltic states, and Finland—home of woman suffrage, of erstwhile prohibition, of civic and political reforms. You can't see them all, folks. So pay yer moneys (rates are low just now), step up, and take yer choice. Each according to his prejudices, his predilections, and his bents . . . and so, to Europe!

## Studying Russia

A NEW TYPE of organized travel tour will be inaugurated this summer when, early in July, the "Russian Seminar" reaches the land of the Soviet. The group itself will be largely composed of business men, educators, and journalists. They will be more interested in an inside view of the world's greatest experiment than in having a vacation in the ordinary sense of the word. A committee of prominent Americans has served as the group's advisory board: Henry I. Harriman, president of the United States Chamber of Commerce, and Stuart Chase, the economist, among them.

Present plans call for departure from the United States in July. A short time will be spent in London, Copenhagen, and Finland. Then will follow a month in the Soviet Union. From Leningrad on the north to the Black Sea on the south, the group will study the Russian government and the economic system. Investigation of city and rural life will be made. The new industrial developments along the Don and Volga rivers will be visited. After leaving Russia, there will be a rapid tour through the Near East and the Balkans; then to Italy and back home late in August.

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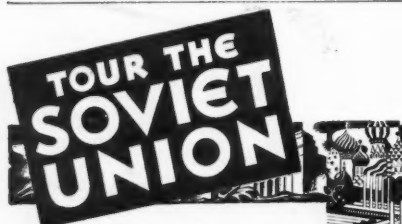
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## The March of Events

Continued from page 44

**SECRETARY OF LABOR:** Frances Perkins of New York; first woman to be appointed to a cabinet; active in labor and welfare work, and under Governors Smith and Roosevelt served as Industrial Commissioner of New York State (February 28).

**ATTORNEY GENERAL:** Homer S. Cummings of Connecticut; former Democratic National Committeeman; expected later on to be Governor General of the Philippines (March 2). President-elect Roosevelt's first selection was Senator Walsh of Montana, who died suddenly on March 2.

**HENRY MORGENTHAU, JR.,** of New York, is selected as chairman of the Federal Farm Board (March 2). It is announced that he will bring price stabilization efforts to a close and coordinate all farm credit activities and agricultural activities of the federal Government.

SENATE approval is given the President's economy demands as that body passes (March 15) the economy bill, 62 to 13. Minor amendments make it necessary for the bill to be considered at a conference with the House instead of going direct to the President. But all important features of the House bill giving the Executive wide powers in cutting \$500,000,000 from veterans' compensation and federal salaries are preserved.

### Pre-Inauguration

Prohibition returns to states  
... A Democratic caucus ...  
Debtor relief ... Defeat of  
Veterans' plans.

PROHIBITION becomes a question for the states to settle as the House (February 20) passes the Senate resolution proposing outright repeal of the Eighteenth Amendment. Its only regulatory provision is that liquor may not be transported into states where its use is prohibited. To become an amendment to the Constitution, it must be approved by three-fourths of the states within seven years. House passage—occurring when Wets had abandoned hope of securing action at the present session of Congress—is by vote of 289 to 121, fifteen more than the necessary two-thirds. The Senate had passed the resolution, 63 to 23, on February 16.

PRESIDENT HOOVER signs the Couzens bank bill (February 25) following its passage by House and Senate. It authorizes the Controller of the Currency to exercise over national banks in any state the same discretionary powers that state officials have over state banks. The Controller must first secure approval of the Secretary of the Treasury.

ONE of the greatest difficulties in the way of law enforcement is hit as President Hoover signs a bill (February 25) authorizing the United States Supreme Court to prescribe new methods for

speeding up action in criminal cases where an appeal is taken after a decision in a lower federal court. Present practice permits long delays between conviction and disposition of a case.

A CAUCUS of House Democrats (March 2) nominates Representative Rainey of Illinois as the party's candidate for Speaker in the next Congress. The nomination is equivalent to election. Speaker Garner had favored Representative McDuffie of Alabama as his successor. Representative Byrns of Tennessee is chosen as the party's floor leader. Representative Robert L. Doughton of North Carolina is slated for chairman of the Ways and Means Committee. The new Speaker has in the past urged passage of a sales tax, reciprocal tariff agreements with other nations, and recognition of Russia. He has served in the House for 28 years.

RELIEF for hard-pressed debtors is provided as President Hoover signs the La Guardia-McKeown bankruptcy bill (March 3). Designed to aid individuals—in cities and on farms—and railroads, it is a liberalizing amendment to the bankruptcy act of 1898. It permits voluntary readjustment of debts without resort to formal bankruptcy proceedings. In the case of railroads it facilitates reorganizations designed to conserve resources and protect investors. Such reorganizations were proposed in the report of the National Transportation Committee (February 14), which recommended that regional consolidation of railroads lead eventually to a "single national" rail system.

PRESIDENT HOOVER thwarts Congressional failure to reduce the 1933-34 appropriation for the Veterans' Administration by "pocket vetoing" the Independent Offices appropriation bill (March 4). Of the bill's \$1,000,000,000 total, all but \$34,000,000 was destined for veterans.

### Nations Abroad

Little Entente ... Arms of  
the month ... German  
elections.

CZECHOSLOVAKIA, Yugoslavia, and Rumania—the Little Entente—embark on closer relations as their foreign ministers sign a treaty (February 16) pledging cooperation in economic and political affairs. The agreement provides that treaties of one state are to be approved by the other two; lays the groundwork for preferential tariffs and for strengthening central banks; and indicates that other states may be invited to join.

WHAT threatened to become a serious international incident is apparently settled peaceably (February 25) as Austria promises to return to Italy a shipment of Italian rifles which were to have been repaired in Austria and then sent to Hungary. Britain and France had indicated (February 11) that Austrian ac-



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tion in forwarding arms to a state defeated in the World War was in defiance of the peace treaties.

MUNITIONS will not be sent from Great Britain to either Japan or China, according to a decision of the English cabinet (February 27). On the same day, France indicates that she will enact a similar embargo if assured that the United States will follow. President Hoover had shortly before asked Congress to empower the Executive to declare such an embargo against warring nations, but had secured no action. England later (March 13) lifts her embargo because other nations have not followed her lead.

PRIME MINISTER MACDONALD announces (March 3) that he will hasten to the Geneva Disarmament Conference. His action is interpreted as an attempt to get European acceptance of the British proposal for repudiating the use of force. European fears of a Hitlerized Germany, and friction between Italy and Jugoslavia, had brought the Conference to a virtual standstill. Soon after reaching Geneva, the Prime Minister announces (March 15) he will make a special trip to Rome to see Premier Mussolini.

GERMANY's national election for the Reichstag (March 5) results in victory for Adolf Hitler's "Nazi" party, and defeat of the Left groups. A coalition of the Nazis (288 seats) and the Nationalists (52 seats) gives the new National Concentration government a 52 per cent. majority of the Reichstag's 647 seats.

## League of Nations

The League continues to cope with member nations.

BY ITS OWN WIRELESS station, the League of Nations advises the world of the complete text of the Committee of Nineteen's report on Manchuria (February 17). As previously indicated, the final report finds Japan at fault for Far Eastern difficulties.

COLOMBIA, invoking (February 18) Article XV of the League Covenant, asks the League to assist in settling the dispute with Peru over the Leticia region. It is the first time the League has been asked to take such action in the western hemisphere. It later proposes that Peruvian troops withdraw, leaving Colombian forces as internationalized police.

\*JAPANESE members withdraw from the League Assembly as other nations vote unanimously to accept the Nineteen's report (February 24). The Assembly then establishes an advisory committee—composed of the Nineteen, Canada, and Holland—to consider future action. It is made clear that Japan can still accept the conciliation conditions she rejected in February. Russia refuses (March 7) and the United States accepts (March 13) an invitation to sit with the new body. Japan proceeds with a new military campaign to incorporate Jehol into Manchukuo.

Continued on page 64

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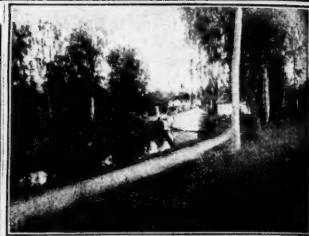
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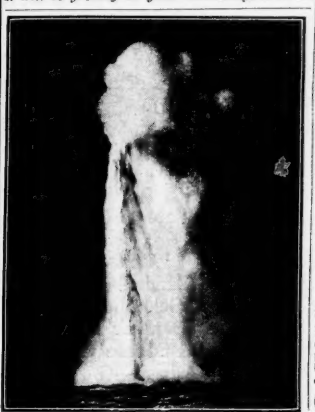
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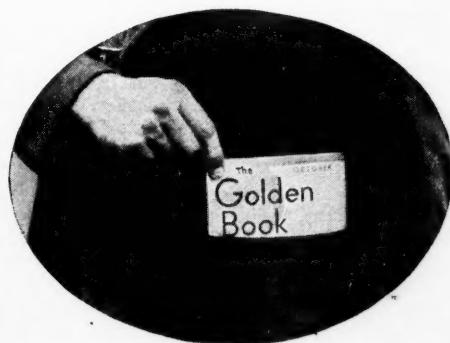
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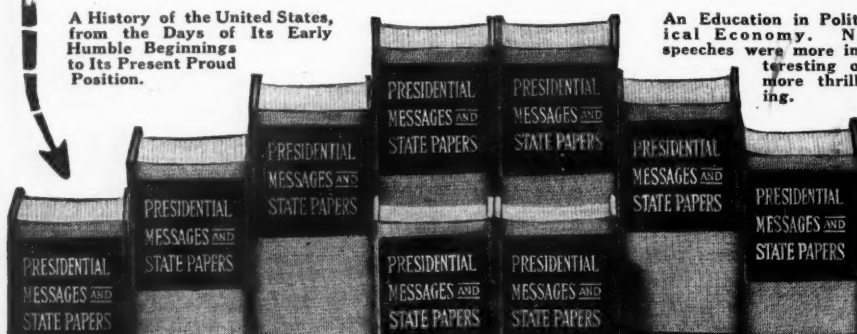
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## The March of Events

Continued from page 61

### Obituaries

FIELD MARSHAL SIR WILLIAM ROBERTSON, 72. The only man ever to rise from the ranks to the highest point in the British army. Since the World War—in which he was a leading figure—an earnest peace advocate—(February 12).

PATRICK MCGOVERN, 62. Irish-born; participator in the Alaska gold rush; builder of subways and tunnels in New York and Philadelphia—(February 22).

STEPHEN BROOKS DAVIS, 58. Former Justice of the Supreme Court of New Mexico; member of many national and state commissions and conferences. Responsible for formation of Federal Radio Commission and system of allotting wave lengths—(February 24).

EDWARD MARSHALL, 64. Author, war correspondent, editor, reformer. Served as correspondent with Rough Riders in Spanish American War—(February 25).

SENATOR THOMAS J. WALSH, 73. Designated as Attorney General in President Roosevelt's cabinet. School teacher, lawyer, United States Senator from Montana since 1913. Led Senate prosecution in Teapot Dome oil case—(March 2).

REAR ADMIRAL JOHN AUGUSTUS RODGERS, 84. Descendant of a long line of naval men. Appointed to the Naval Academy by President Lincoln; saw active service in Spanish American and World Wars—(March 2).

ANTON J. CERMAK, 59. Mayor of Chicago; victim of an assassin's bullet fired at the President-elect in Miami on February 15; born in Czechoslovakia; had been miner, teamster, real estate operator, politician—(March 6).

WILL R. WOOD, 72. For eighteen years a Republican member of the House, was defeated for reelection in Indiana last November; former chairman of the House Appropriations Committee—(March 7).

ROBERT B. HOWELL, 69. Senator from Nebraska since 1922. Had been naval officer, real estate operator, state and municipal engineer, state senator—(March 11).

EDGAR FRENCH STROTHER, 49. Former managing editor of *World's Work*. Although a Democrat, he was one of former President Hoover's most intimate associates, serving him as administrative assistant in charge of literary and research work connected with Mr. Hoover's speeches and writings—(March 12).

SIR HENRY WORTH THORNTON, 61. British Inspector General of Transportation during the World War; reorganizer of two troubled railroads: the English Great Eastern and the Canadian National; American born, he became a British subject in 1919—(March 14).





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